FINANCES AND THE COMPREHENSIVE PLAN

A Study of Government Revenue Effects
Relative to Alternative Changes
in the Comprehensive Plan

prepared for

CITY OF MENLO PARK

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CHAPTERS

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CHAPTER ONE INTRODUCTION

Problem Statement

Menlo Park is preparing to review and revise its Comprehensive Plan. One of the important questions will be the impact of land use and physical development on the fiscal strength of the city. This is specially crucial in light of Proposition 13, Proposition 4, and other limitations on city financial initiatives. These constraints have drawn increased attention to the fiscal consequences of physical development and to innovative financing tools related to development. Some of the questions likely to be considered are the revenue and cost implications of the types of uses now allowed under current ordinances, types of land uses which the private market will support, and their implications for city costs and revenues along with opportunities which the city can encourage to improve its fiscal position.

The Approach

Like its neighbors on the Peninsula, Menlo Park has relatively few large, vacant land parcels available for development. These parcels are important to the city as both opportunities for needed development which can generate revenue and as potential drains on community facilities and services if inappropriate uses are allowed. Further, as the

existing stock of commercial and industrial buildings grows functionally obsolete, more attention is needed on the possibilities for conversion or rebuilding of these already developed parcels. Zoning and the Comprehensive Plan are the major tools available to the city to exercise control over this process. The main thrust of this study was to assess existing and potential commercial and industrial uses concerning their impact on the fiscal health of Menlo Park. To a lesser extent, residential uses were also considered. There are two concerns for residential use. First, residential use determines population of the city -- a key factor in Proposition 4. Second, housing may be the most appropriate use for some parcels.

This study looked at the fiscal implications of development currently allowed and likely to be proposed in order to provide policy guidelines for policies and implementation tools which will permit the city to make better informed judgements and take advantage of situations where the market's interests and those of the city are in concert. The examination included:

1. Review and analysis of current and historical trends in population and housing characteristics.

2. Review and analysis of current and historical trends in budget and revenue information.

3. Review and analysis of current Environmental impact reports

4. Physical review of all development and potential Development sites

5. Interviews with key city and community people.

CHAPTER TWO EXECUTIVE SUMMARY

A. City Profile

Menlo Park's population from 1970- 1980 has decreased slightly and it is older. Although the housing stock has increased by 11.6% the occupancy per dwelling unit has decreased.

General fund revenues and expenditures have been conservative and well within the Gann Initiative limitations.

Taxable sales increased at the same rate for the period 1978 to 1982 in comparison to 9 other peninsula cities however it is still ranked either 8th or 9th in the categories of total sales, sales per outlet, and sales per capita.

B. Community attitudes

Most of those interviewed were of the opinion that some growth was still desirable but it must be done with caution particularly as such development might change the unique character of the city.

C. FISCAL/DEVELOPMENT OPPORTUNITIES

Menlo Park's location in the Mid Peninsula is

desirable for future commercial and industrial growth. However there are several limitations for growth areas since only 116 acres remain available for such growth plus possible sites for redevelopment.

D. Summary of findings and recommendations

o Menlo Park could increase its annual revenues by as much as $2,300,000 or as little as $1,000,000 through the choices it makes in developing its larger vacant parcels and selected rebuilding.

o If the city wishes to gain maximum tax revenues it should encourage retail stores and hotels where appropriate. This strategy could bring in an additional $2,000,000 or more -- approximately a 30% increase in annual revenues. This strategy could nearly double the existing retail space downtown. However it could also add more than 20,000 daily trips in the downtown area.

o If the city wishes to seek maximum growth opportunities in white collar jobs it should concentrate on offices where appropriate. This strategy could add more than 15,000 new jobs and add approximately $1,500,000 to city revenues.

o If the city chooses to emphasize housing whenever feasible add retail/hotel development in other opportunity areas, it could add approximately 1,000 housing

units and add $1,300,000 to annual revenues.

o If the city emphasizes low and moderate income housing whenever feasible and retail/hotel development in other areas it could add nearly 1,000 low and moderate income units and still add nearly $1,300,000 to annual revenues.

o The key to downtown retail strength building may lie in the mix of speciality uses, combined with aggressive merchant and city marketing of its special character.

CHAPTER THREE CITY PROFILE BY POPULATION AND HOUSING

Population changes 1970 - 1980

Menlo Park's population has decreased slightly over the last 20 years (Table I - 1). the population is becoming older with a 24% reduction in those under 25 and a 25% increase in those over 55 (Table I -2). Although the total percent of male to female has remained relatively constant there has been a shift to older females (Tables I-3 and I-4). The number of single adults has increased 22% and the number of married couples has decreased 7% (Table I - 5). The racial composition of the population is still predominantly white. The principle shift in race has been a 19% decrease in black population and an 131% increase in all other categories (Table I -6).

Housing changes 1970 - 1980

The housing stock has increased by 1195 dwelling units (Table II-1) and with slightly less population the occupancy per dwelling unit has decreased by 12.3% (Table II - 2). The percent of owner occupied versus renters has been relatively unchanged (Table II - 3). The number of one and two occupancy per dwelling unit has increased by 32% and the number of over 2 person occupancy per dwelling unit has decreased by 14% (Table II - 4). In the six year period 1977 through 1982 building permits were issued for 386 units

of housing and demolition permits were issued for 48 units of housing for a net increase of 338 units (Table III). 72% of the building permit units were for multiple housing of 5 or more units. The mean income increase for both families and unrelated individuals increased 120% for the period 1970 - 1980 (Table IV).

TABLE I (1)

Population Trends 1970 to 1980

1. Population Total

1960	26,957
1970	26,734
1980	26,369

Percent Change	1960 - 1980	-2.2%
Percent Change	1970 - 1980	-1.4%

2. Population by age:

Total by age

	1970	1980	%change
Under age 25	9743	7319	-24%
Over 25 under 55	10,294	10,657	+ 4%
Over 55	6,697	8,393	+25%

3. Population by Sex

	1970	1980	%change
Male	12,825	12,530	- 2%
Female	13,909	13,839	- .5%

4. Population by Sex and Age

	1970		1980		%change
	#	%	#	%	
Male					
Under 25	5006	18.7	3851	14.6	-23%
Over 25 under 55	5059	18.9	5318	20.2	+ 5%
Over 55	2760	10.3	3361	12.7	+21%
Total	12,825	47.9	12,530	47.5	- 2%
Female					
Under 25	4737	17.7	3468	13.2	-27%
Over 25 under 55	5235	19.6	5339	20.2	+ 2%
Over 55	3937	14.7	5032	19.1	+28%
Total	13,909	52.0	13,839	52.5%	- .5%

5. Population by Marital Status of Persons 14 years and over

Marital Status	1970 #	1970 %	1980 #	1980 %	%change
Now married	12,196	57.0	11,343	50.3	-7.0%
Widowed	2,018	9.4	2,308	10.2	+14.4%
Divorced	1,380	6.5	2,030	9.0	+47.1%
Separated	477	2.2	619	2.7	+29.8%
Never married	5,324	24.9	6,252	27.7	+17.4%
Total	21,395	100.0	22,552	100.0	+ 5.4%

6. Population by Race

Race	1970 #	1970 %	1980 #	1980 %	%change
White	21,398	80.1	21,040	79.8	- 1.7%
Blacks	4,656	17.4	3,757	14.3	-19.3%
Other	680	2.5	1,572	6.0	+131.1%

(1) 1980 U.S. Census

TABLE II[1]

Housing Characteristics 1970 - 1980

	1970 #	1970 %	1980 #	1980 %	%change
1. By type of structure					
1 unit	6,458	62.4	6,721	58.2	+4.1%
2 or more units	3,880	37.5	4,812	41.7	+24%
TOTAL	10,338		11,533		+11.6%
2. Population per unit	2.6		2.28		-12.3%
3. By owner/renter					
Owner occupied	5,186	50.1	6,104	53.7	+17.7%
Renter occupied	4,645	44.9	5,143	45.2	+12.9%
Vacant	514	5.0	120	1.0	-76.7%
4. By number of persons in housing units					
1 person	2,505	25.5	3,703	33.0	+47.8%
2 persons	3,498	35.6	4,235	37.7	+21.1%
3 persons	1,547	15.7	1,531	13.6	- 1.0%
4 persons	1,153	11.7	1,038	9.2	-10.0%
5 persons	550	5.6	385	3.4	-30.0%
6 persons or more	578	5.9	342	3.0	-40.8%
Median		2.2		1.5	

(1) U.S. Census 1980

TABLE III[2]

Residential Building Permit Activity by Units 1977 - 1982

Type	1977	1978	1979	1980	1981	1982	Total
Single family	27	12	39	27	7	1	113
2 Family	4	4	2	2		2	14
3 Family	4			3			7
4 Family		4		4			8
5 Family or more	139		93		12		224
Demolished	5	10	16	13	1	3	-48
Total Net	169	10	118	23	18	0	338

(2) Menlo Park Building Department

TABLE IV[3]

Income Changes

Comparison of incomes
1970 - 1980

	1970		1980		%Change	
	Median	Mean	Median	Mean	Medium	Mean
Families	13,538	16,322	29,009	35,963	+114%	+120%
Unrelated Individuals	4,856	6,216	11,602	13,680	+139%	+120%

(3) U.S. Census 1980

CHAPTER FOUR BUDGET COMPARISON

The General Fund revenues (table V) have increased 55% between 1977/78 (the budget year prior to Proposition 13) and the estimate for 1982/83. Property tax revenue has now been restored to the 1977/78 level. Sales tax revenue has substantially increased (148%), however since only part of the sales tax revenue was placed in the general fund in 1977/78 the actual increase in total sales tax revenue has been 41% over this period.

Budget expenditure (Table VI) increased at the same rate as revenues over this same period.

State per capita income during this period increased 47.5%.

Based on the provision of section XIIIB of the State Constitution (Gann Initiative Proposition 4) the city would be limited to a total of $12,205,821 in 1982/83 revenue which is almost double the actual revenues for this year.

TABLE V

Menlo Park
General Fund Revenue Comparison
1977/78 to 1982/83
(in thousands)

	Actual 1977/78	Est. 1982/83 (1)	± $	%
Property Tax	$1,769	$1,780	+11	-
Sales Tax	910 (2)	2,260 (3)	+1350	+148
Franchise Fees	254	418	+164	+ 64
License and Permits	304	620	+316	+104
Fines	179	86	-93	- 52
Use of Money or Prop.	122	803	+681	+ 55
State Subventions	490	276 (4)	-214	- 44
Charges for City Serv.	214	334	+120	+ 56
Total General Fund	$4,242	$6,577	2,335	+55%

(1) Based on 1983/4 budget estimate

(2) Total sales tax for 1977/78 was $1,598 only $910 was transferred to General Fund

(3) The entire sales tax for 1982/93 went to the General Fund

(4) Represents the net State Subvention after the current estimated loss of $345,000.

TABLE VI

Budget Expenditure
Comparison
1978/79 to 1982/83
(in thousands)

	1978/79	1982/83	± or	%
General Government	$1,965	$1,972	+ $7	-
Public Safety	1,215	2,215	+1000	+ 82%
Community Develop.	244	425	+ 181	+ 74%
Public Works	658	1,710	+1052	+160%
Community Serv.	902	1,004	+ 102	+ 11%
Total General Fund	$4,084	$6,426	+2342	+ 54%

CHAPTER FIVE ANALYSIS OF TAXABLE SALES

Because sales and use tax is the largest single revenue for the City and this source of revenue is directly related to land use the following analysis was prepared.

Nine cities were selected for a comparative study relative to sales and use tax revenue. Six cities were selected because of location on the El Camino Real mid peninsula core (San Mateo, Redwood City, Palo Alto, Mountain View, Sunnyvale and Santa Clara). Three additional cities were selected because of comparable population size to Menlo Park (Cupertino, Los Altos and Los Gatos).

Analysis of Taxable Sales

Menlo Park is substantially below the other 9 cities being compared for this analysis in total retail taxable sales (Tables VII and VIII). In comparing taxable sales by type of retail outlet by sales per outlet (Table IX) they exceed the average in 3 categories and in sales per capita (Table X) they exceed the average in 4 categories.

In comparing the percent change between 1978 and 1982 (Tables XI and XII), Menlo Park exceeded the average increase in sales per outlet and per capita however this probably is a result of a below average increase in outlets and population.

Analysis of All Other Taxable Sales

Some businesses dealing primarily in nontaxable activities, such as services, manufacturing, contracting or wholesaling either sell some merchandise that is subject to sales tax or use some items that were purchased ex-tax on which use tax must be paid. Table XIII is the analysis of those taxable sales for the 10 cities being compared. This analysis indicates that this source of revenue amounted to $550,023 in sales tax and 42% of the total sales and use tax received by Menlo Park. This analysis also indicates that Menlo Park is 7th in per capita revenue from this source. Also in comparing this source of revenue with 1978 Menlo Park is the only city in the comparison that dropped in this revenue both in total receipts, sales per outlet and sales per capita. In 1978 Menlo Park was 4th in the ranking with the other cities from this source of revenue in sales per capita.

TABLE VII[4]

1982 Taxable Retail Sales Comparison

City	Total Taxable Retail Sales	RANK	Taxable Sales Per Outlet	RANK	Taxable Sales Per Capita	RANK
Cupertino	$337,620,000	7	$712,300	2	$12,985	1
Los Altos	95,396,000	10	280,600	10	3,669	10
Los Gatos	206,260,000	8	437,000	9	7,639	3
Mt. View	419,667,000	5	560,300	6	7,113	5
Palo Alto	550,771,000	3	616,100	5	10,014	2
Redwood City	356,651,000	6	644,900	3	6,485	7
San Mateo	525,547,000	4	512,200	7	6,738	6
Santa Clara	670,501,000	1	712,500	1	7,619	4
Sunnyvale	595,287,000	2	631,900	4	5,563	9
Menlo Park	151,308,000	9	454,400	8	5,820	8
Average of Nine Cities (w/o Menlo Park)	$417,522,000		$567,533		$ 8,183	

(4) Tables VII through XIII based on:

State Board of Equilization report "Taxable Sales in California" for 1978 and 1982.

TABLE VIII

Taxable 1982 Sales/Outlet
(in $1000)

Type Retail	Cuper tino	Los Altos	Los Gatos	Mt. View	Palo Alto	Redwood City	San Mateo	Santa Clara	Sunny vale	Menlo Park	Avg. of 9 cities (w/o Menlo Park)
Apparel Stores	541	213	177	215	613	297	457	400	319	231	359
General Merchandise Stores	6379	105	40	5601	5358	2200	5290	4133	3335	122	3593
Drug Stores	2902	434	446	2042	437	942	1302	1452	850	840	1201
Food Stores	963	686	600	721	452	875	370	542	501	594	634
Package Liquor Stores	337	456	367	573	524	481	383	429	471	#	447
Eating and Drinking Places	436	390	338	256	350	275	287	382	324	305	338
Home Furnishing and Appliances	373	123	92	488	124	313	129	730	204	158	286
Building Materials	958	334	199	790	651	562	563	748	1652	773	717
Auto Dealers and Supplies	1656	#	5698	653	2485	2017	1257	2136	3090	3963	2374
Service Stations	880	1120	994	914	950	866	1249	867	1005	1051	983
Other Retail Stores	338	179	117	338	537	406	220	495	321	259	328
TOTAL RETAIL	712	281	437	560	616	645	512	713	632	454	568

1982 Taxable Sales/Capita
(in $)

Type Retail	Cuper tino	Los Altos	Los Gatos	Mt. View	Palo Alto	Redwood City	San Mateo	Santa Clara	Sunny vale	Menlo Park	Avg. of 9 cities (w/o Menlo Park)
Apparel Stores	1478	279	314	223	1004	162	732	159	221	222	508
General Merchandise Stores	3190	45	10	1424	1753	800	1696	704	499	42	1125
Drug Stores	558	83	149	346	95	206	334	247	87	323	234
Food Stores	1222	501	689	770	337	732	365	419	277	594	590
Package Liquor Stores	104	140	150	204	86	131	118	161	114	#	134
Eating and Drinking Places	1845	705	1063	738	1349	685	711	1069	842	728	1001
Home Furnishing and Appliances	617	369	313	620	281	297	214	605	120	328	382
Building Materials	442	141	81	428	237	225	195	374	509	326	292
Auto Dealers and Supplies	764	#	3587	332	1310	1577	612	1674	1531	1372	1423
Service Stations	1117	646	663	743	605	693	881	620	526	849	722
Other Retail Stores	1741	759	620	1284	2968	998	882	1574	819	1035	1293
TOTAL RETAIL	12,985	3669	7639	7113	10,014	6485	6738	7619	5563	5820	7536

included under other retail sales

TABLE IX

The rank of Menlo Park in comparison to the 9 other cities in 1982 total taxable retail sales by type of retail outlet plus the percent Menlo Park exceeds or is below the average for the other 9 cities in each category.

Type Retail	Rank	as % of average
Apparel Stores	7	-35.6%
General Merchandise Stores	8	-96.6%
Drug Stores	7	-30.1%
Food Stores	6	- 6.3%
Package Liquor Stores	#	#
Eating and Drinking Places	7	- 9.8%
Home Furnishings and Appliances	6	-44.8%
Building Materials *	4	+ 7.2%
Auto Dealers and Auto Supplies	1	+40.1%
Service Stations	3	+ 6.5%
Other retail stores	7	-21.0%
TOTAL RETAIL	8	-20.0%

included under "other retail stores"

Menlo Park exceeds the average in sales per outlet in 3 types of retail outlets.

* The principle source of this taxable revenue has since been removed.

TABLE X

The rank of Menlo Park with the other 9 cities in relation to 1982 taxable retail sales per capita by type of retail outlet plus the percent they exceed or are below the average of the other 9 cities.

Type Retail	Rank	as % of average
Apparel Stores	7	-56.3%
General Merchandise Stores	9	-96.3%
Drug Stores	4	+27.6%
Food Stores	5	+ .8%
Package Liquor Stores	#	#
Eating and Drinking Places	7	-27.3%
Home Furnishings and Appliances	6	-14.1%
Building Materials*	5	+10.4%
Auto Dealers and Auto Supplies	5	- 3.6%
Service Stations	3	+15.0%
Other Retail Stores	5	-20.0%
TOTAL RETAIL	8	-22.8%

included under "other retail sales"

Menlo Park exceeds the average in sales per capita in 4 types of retail outlets.

* The principle source of this taxable revenue has since been removed.

TABLE XI

Percent change between 1978 and 1982 in taxable retail sales

City	Number of Outlets	Total Taxable Retail Sales	Taxable Sales Per Outlet	Taxable Sales Per Capita
Cupertino	+45.0%	+61.8%	+11.6%	+36.9%
Los Altos	+ 4.6%	+13.5%	+ 8.5%	+13.5%
Los Gatos	+25.2%	+45.0%	+15.8%	+28.9%
Mt. View	+ 6.1%	+28.4%	+21.0%	+19.7%
Palo Alto	+ 9.8%	+69.0%	+53.9%	+59.8%
Redwood City	+ 8.6%	+49.3%	+37.4%	+46.6%
San Mateo	+14.0%	+48.0%	+29.8%	+48.0%
Santa Clara	+13.0%	+44.4%	+27.8%	+36.2%
Sunnyvale	+30.8%	+61.0%	+23.1%	+53.5%
Menlo Park	+ 8.8%	+39.8%	+28.4%	+39.8%
Average*	+17.5%	+46.7%	+25.4%	+38.1%

* of 9 cities exclusive of Menlo Park

TABLE XII

The rank of Menlo Park in percent change between 1978 and 1982 as average of other 9 cities with percent Menlo Park exceeded or were below average of other 9 cities.

	Rank	% of Average
Number of Outlets	7	-49.7%
Total Taxable Retail Stores	8	-14.8%
Taxable Sales per Outlet	4	+10.6%
Taxable Sales per Capita	5	+ 4.3%

TABLE XIII

Analysis of All Other Outlet Taxable Sales for 1982
(in $1000)

	Cupertino	Los Altos	Los Gatos	Mt. View	Palo Alto	Redwood City	San Mateo	Santa Clara	Sunnyvale	Menlo Park	Average of 9 cities (w/o Menlo Park)
	110,266	19,296	26,263	205,723	246,658	121,487	142,636	671,111	414,311	55,023	217,528
Outlets											
	721	725	740	1597	1821	1088	1759	2771	2401	679	1514
Sales Per Capita (in $1000)											
	152.9	26.6	35.5	128.8	135.5	111.7	81.1	242.2	172.6	81.0	120.8
Sales Per Capita (in $)											
	4241.0	742.2	972.7	3486.8	4484.7	2208.9	1828.7	7626.3	3872.1	2116.3	3273.7
1978 Sales (in $1000)											
	34,593	15,650	14,206	165,779	155,534	98,157	103,351	484,421	200,510	60,706	141,356
Outlets											
	422	626	546	1339	1713	949	1465	2258	1840	583	1240.0
Sales Per Outlet (in $1000)											
	81.9	25.0	26.1	123.8	90.8	103.4	70.5	214.5	109.0	104.1	93.9
Sales per Capita (in $)											
	1572.4	601.9	591.9	3014.2	2991.0	1817.7	1325.0	5836.4	1965.8	2334.8	2190.7
% change 1978 - 82											
Total Taxable Sales											
	+219%	+23%	+85%	+24%	+59%	+24%	+38%	+39%	+107%	-10%	+69%
Outlets											
	+ 71%	+16%	+36%	+19%	+ 6%	+15%	+20%	+23%	+30%	+16%	+26%
Sales/Outlet											
	+ 87%	+ 6%	+36%	+ 4%	+49%	+ 8%	+15%	+13%	+58%	-29%	+31%
Sales/Capita											
	+170%	+23%	+64%	+16%	+50%	+22%	+38%	+31%	+97%	-10%	+57%

CHAPTER SIX ENVIRONMENTAL IMPACT REPORT ANALYSIS

All recent Environmental Impact Reports were analyzed to determine their estimated city revenues and expenditure impacts. Five of these EIRs are analyzed on the following pages.

Analysis of Recent Menlo Park
Environmental Impact Reports

#1

Date:	June 1979
Title:	Menlo Station
Location:	850 Feet frontage on El Camino between Ken's Pancake House on the north and auto dealer on South
Development:	85,000 square ft. at leasable space of which 52.5% will be in retail sales and 47.5% in office use.
City Revenue Estimate:	<u>Property Tax</u> Based on $.07 per $100 market value at $8 million = $5600 <u>Sales tax</u> Based on $80 annual retail sales per square foot of retail area = $80 x 40,000 to 48,000 square feet x 1% = $32,000 to $42,000 <u>Business Licenses</u> = $2400 <u>Total estimate</u> - $40,000 to $48,000
City Cost:	They estimated that commercial development in the city represented 11% of the city's cost for general government, police, street maintenance and community development. This project was estimated to increase the City's commercial activities by 7%. Based on this calculation estimated city costs would increase by $17,000 - $25,000 per year.
Less Current Revenue:	Not shown
Net income:	$15,000 to $31,000

#2

Date: June 1981

Title: Hotel Menlo Park (Stanford Park Hotel)

Location: On East side of El Camino Real at South end of City

Description: 180 room hotel with 175 person capacity restaurant*

City Revenue:

<u>Property Tax</u>
Based on 12-13% of 1% of market value of $8,132,000 = $10,000 - $10,900

<u>Room Tax</u>[(1)]
Based on room sales revenues of $3,942,000 to $4,927,500 of 75% occupancy at 6% tax rate $177,000 - $221,700

<u>Sales Tax</u>
Based on 95% of restaurant sales of $1,500,000 x 1% = $14,250

<u>Business License</u> = $1,500

<u>Total</u> $202,750 - $248,350

City Costs:

.3 policeman	$10,000
Public Works	2,000
Total	$12,000

Less Current Revenue:

Property Tax	$940 - $1,000
Sales Tax	$2,800 - $4,000
Total	$3,740 - $5,000

Net estimated City Revenue: $187,010 - $231,350

* reduced to 165 rooms.

(1) The Room Tax has been increaed to 8% since this E.I.R. was made. Based on their estimate of room sales plus the 8% reduction in number of rooms this revenue estimate would increase to: $217,620 to $272,000. This would increase the total estimated City revenue to $227,630 - $281,650.

#3

Date:	March 1982	
Title:	Menlo Park Office Center	
Location:	S.E. Corner of El Camino Real and Ravenswood Ave.	
Description:	3 story 45,000 square foot office building*	
City Revenue:	Property Tax Based on $2,500,000 value x 1% x 12% =	$ 3,000
	City Lease =	100,000
	Business Licenses	3,400
	TOTAL	$106,400
City Costs:	.3 Policeman =	$11,700
	Public Works =	$500 - $1,000
	TOTAL =	$12,200 - $12,700
Less Current City Revenue:	Lease = $1,200	
Net Income:	$92,500 - $93,000	

* Reduced by City Council action to 38,100 gross square feet and 30,059 net square feet.

#4

Date:	March 1982	
Title:	Dumbarton Distribution Center (Menlo Business Park)	
Location:	West Side of University Ave. between Notre Dame Ave. and Purdue Avenue	
Description:	Mixed use industrial park. Estimated 866,909* square footage of buildings on net acreage of 46.9.	
City Revenue:	Property Tax	$35,100
	Business Licenses	$25,000 - $35,000
	Utility Franchise Tax	$8,400 - $10,900
	Total	$68,500 - $81,000
City Costs:	Public Works	$7,600
	Police (1 if needed)	$39,000
	Total	$7,600 - $46,000
Less Current Revenue:	Property Tax	$120
Net Income:	$21,780 - $73,280	

* Reduced by City Council action to 796,362 square footage

#5

Date:	July 1982	
Title:	Sharon Hills Residential Development	
Location:	38 acre parcel of vacant land in Western portion of City bounded on the south by La Loma and Tioga Drives	
Description:	75 townhouses and 5 single family dwellings *	
City Revenue:	<u>Property Tax</u> <u>Based on</u> $32,375,000 value x 1% x 11.7% =	$37,879
	<u>Franchise taxes</u>	2,283
	<u>Motor vehicle tax</u> Based on $17.02 x 200 residents	3,404
	<u>Federal Revenue Sharing</u> $2.44 x 200 residents	488
	Total	$46,694

City Costs:	<u>City Administration</u> $20,00 per capita x 200 x 50%	$2002
	<u>Police</u> $57.06 per capita x 200 x 50%	$5706
	<u>Public Works</u> <u>Street maintenance</u> $6000 per mile x .81 miles	$4860
	New Park	$ 27,000
	TOTAL	$39,568
Less Current Revenue:	Current property tax not shown	
Net Income:	$7,126	

* Changed by City Council action to 77 townhouses and 3 single family dwellings.

Summary of Estimates
Net City Revenue From 5 projects

#1	Menlo Station:	$15,000	to	$31,000
#2	Stanford Park Hotel:	187,000	to	231,000
#3	Menlo Park Office:	92,000	to	93,000
#4	Menlo Business Park:	21,780	to	73,280
#5	Sharon Hills Residential:		7,126	
	Total Estimate	$323,416	to	$435,756

Increases in Estimates

Property Tax (page 32)	+ $8,747
Room Tax (page 27)	+ $40,620 - $50,300
Sales Tax (page 33)	+ $28,188

Revised Total Estimate $400,971 to $522,991

Comments on E.I.R. fiscal analysis

Property Tax

Based on current percent of distribution to Menlo Park and assuming that the value of the proposal constructions stay as estimated the property tax income would be as follows

#1	$8,000,000	x	1%	x 12.2%	=	9,760
#2	$8,132,000	x	1%	x 12.2%	=	9,921
#3	$2,500,000	x	1%	x 12.2%	=	3,050
#4	no value given to stay with				=	35,100
#5	$32,375,000	x	1%	x 12.2%	=	39,498

This results in estimated property tax income of	$97,325
Compared to their estimate	88,582
Increase in estimate	8,747

Utility Franchise Tax

Only estimate for projects #4 and #5

Sales Tax

Income from residents (project #5) and occupants and employees from other projects not estimated. Our per capita

estimate for taxable sales per year (Chapter 5) was $9,094 which would generate $90.94 at 1% sales tax. For project #5 this would generate $90.94 x 200 residents = $18,188 per year.

Also no estimate was made relative to sales tax income from the employees in the new office and retail buildings. A recent economic report estimated that employees in the average spend an estimated $1,000 in taxable sales per year ($600 in restaurants and $400 in other). With an estimate of 1000 employees in the new facilities this would equal 1000 x $1,000 x 1% = $10,000.

Other E.I.R.s were also analyzed but they did not include any City revenues or cost calculations. It would be advisable in the future for the City to require this type of analysis in their EIR's.

CHAPTER SEVEN RESULTS OF INTERVIEWS

The following are the results of 23 interviews which were held with community leaders representing interest in development, real estate, retail, commercial and office buildings, neighborhood associations and city offices.

Each of those interviewed were asked to indicate their perception of future development in Menlo Park in general and in specific areas.

A. Areas with Development Potential

1. Sand Hill Road Area

Office development in the Sand Hill Road area seems to be viewed favorably. Persons interviewed had no comments on problems in the area. One disadvantage noted is the lack of retail services close to offices. But the fact that office rents in at least one location (Sand Hill Road Office Park) doubled between 1978 and 1982 indicate that the area is very desirable. One complex is described as having the highest office rent on the peninsula.

Persons who commented about potential development on the vacant Stanford University parcel at the south east quadrant of Highway 280 and Sand Hill Road simply mentioned that uses discussed for the site include a Stanford

University conference center/inn, office uses and housing. At this point there seem to be no strong views on a preferred use in this area.

2. Downtown

Comments on Menlo Park's downtown characterize it as a retail shopping area that has begun to experience office development and that is viewed as a good and compatible center for surrounding mixed use developments in the future.

Downtown is described as an area of small stores catering to local shoppers. Persons interviewed felt that few shoppers or merchants do come in (or would come in) from Palo Alto or other nearby communities. The area's aging population is viewed as offering an expanding market for restaurant uses, but not as a market help for most other retail uses.

The retail services are seen as an advantage for current, and possible future, office uses. But there was much comment on parking problems and rising rents as two areas of conflict between office and retail uses.

Many parking areas provided for shoppers who come and go during the day are said to be preempted by office workers who park for the whole day. The resulting lack of parking was viewed as a barrier to new development in the area. The parking problem is more severe for uses on the north side of Santa Cruz Avenue. Also, the location of office uses in the

area is said to be increasing rents to $1.00 to $1.25 or more per square foot. Merchants feel this will drive out retail uses. It should be noted that the city now requires a use permit for the location of financial institutions in the area in response to concerns about the growth of these uses.

According to persons interviewed, the downtown area is healthy. New development is occurring nearby (along El Camino) and there are virtually no vacancies in the downtown area.

The limited space available for development and lack of freeway access were stated as barriers to new development, as was traffic. Traffic congestion is described as being worse during noontime. The lack of streets crossing Santa Cruz Avenue and the difficulty of crossing both El Camino Real and the Southern Pacific railroad were stated as contributing to traffic problems.

Despite the problems and conflicts described about the mix of retail and office uses, almost all persons interviewed saw the downtown and surrounding area as a good location for "mixed use" developments. The mix envisioned is composed of office and/or retail uses on the first and lower floors with housing on upper floors. In this context office uses were described as generating less traffic than retail uses, because office workers don't "come and go" as frequently as shoppers do. Professional office uses with low

to moderate trip generation rates (e.g., CPA vs bank use) were also viewed favorably.

The retail uses were seen as an amenity for office workers, who in turn provide a market for the retail establishments. If office uses expand appreciably the supporting relationship between retail uses and office workers will be a positive result. However, many retail uses in the area would then cater to office workers. This might occur by the addition of new uses, or by the conversion of some current retail uses. The potential results include: new retail use and sales opportunities, more variety and/or depth in some retail uses, as well as possible frustration and conflict caused by the relocation or loss of some neighborhood supported retail uses.

Some persons interviewed said that new development can help solve current problems by providing needed parking and housing. They stated that more intense development would allow a developer to provide parking for retail, office and housing uses. Underground parking was viewed favorably as long as its cost could be covered by more intensive use of the land. In this context the need for incentives and flexible regulations was stressed so that height, floor area, allowable uses and parking requirements could be varied to allow creation of projects that would satisfy city objectives as well as the developers need to maintain the viability of such projects.

Merchant opposition to more flexible zoning regulations was stated as an obstacle to allowing mixed use development. The statement was that some merchants fear they will be forced out by new office development. The result is to deny the opportunity for new development. To the extent that conflict exists between retail merchants and mixed use developers, it is probably fueled by rising rents for merchants in the downtown area.

Several persons stated that the central area of the City has the potential for conversion to more intense mixed use development. However, one person cautioned that development around the downtown area was still too new to allow economical conversion to office use.

Low to mid rise development was viewed as good for the downtown area. Precise comments on building height downtown were varied. Buildings three to four stories above ground level seemed generally acceptable. Buildings as high as the 13-14 story condominium complex at 101 Alma in Palo Alto (called the Palo Alto) seemed clearly unacceptable.

3. El Camino Real

Traffic and new development were main topics concerning El Camino Real. The road is viewed as a main traffic barrier to cross and as a congested carrier of through traffic. New signals being installed by the State were mentioned by some as providing help in the near future for both through

traffic and for cross traffic.

New development in the corridor between El Camino Real and the Southern Pacific Railroad was understood by a few people to be the planned result of conscious city policy. Several people felt the new retail, office and specially the hotel uses had very limited access which would increase traffic problems on the street.

4. Seminary Land

The seminary property on Middlefield Road is known as the largest undeveloped and uncommitted parcel in Menlo Park, thus it is viewed as offering a significant opportunity and a real challenge. All persons who commented on it saw housing as the most desirable use for most of the site. However, views on the type of housing varied considerably.

Previously proposed senior citizens and/or progressive care housing for seniors received favorable comments from all but one person who spoke to this issue. The one opposing view was strong and stated that services and activities were too far away to make this a healthy and convenient area for older people. This person felt the rear part of the property was particularly undesirable for seniors because of its remoteness.

Comments on density varied also. One person felt the average density on the site should be held to that currently allowed but that condominium and town house units should be

allowed if large open areas were part of the design. Medium density rental and condominium housing was favored by another person.

More than one person favored moderate cost, family, affordable housing. One developer saw a strong market for luxury housing and felt this site provided a unique opportunity to provide very expensive housing for those residents of Menlo Park who wanted to stay nearby but move to luxury housing.

Office and retail commercial were suggested as other possible uses for part of the site. Several people saw a moderate amount of office use, specially along Middlefield Road, as desirable. One person felt retail commercial uses serving the development itself should be allowed, but no one viewed the site as a good general retail site. One person felt that both retail and office uses should be kept off the site.

5. Other Areas

Some persons interviewed mentioned additional opportunity areas.

Three properties owned by religious institutions were mentioned. One is the Valambrossa Retreat Center, another is a retreat facility for cloistered nuns located across from SRI International and a third was a parish church pro-

perty. Each of these was suggested as potential planned unit development sites in the future.

The northeast corner of Ravenswood Avenue and El Camino Real was suggested as an attractive site for development by one person. This site is in a key location. Uses now in this area are auto service and repair uses, with some area used for second hand auto sales.

Another person mentioned vacant property behind SRI International off of Middlefield Road as excess land held by SRI which could be converted to some other use.

Willow Road between Highway 101 and Middlefield Road was mentioned by one person for potential additional commercial uses.

Several people interviewed mentioned the Belle Haven area, usually in the context of potential renewal typically from private market forces. One person commented that the area provides about 25% of Menlo Park's current housing stock and that this housing is currently at affordable prices, but that prices could rise dramatically as housing in surrounding areas continue to increase in value.

City staff provided comments on three sites. First, the Veteran's Hospital which some people have considered a potential changing use is thought by city staff to be fixed in its current use. Staff has heard nothing about potential change in the hospital use now on the site. Second, Raychem

has approval for building its international headquarters on a new site. At the same time Raychem plans to shift its major emphasis from manufacturing to research and development activities over a period of time. Third, there is a proposal for the marina on the baylands in Menlo Park. However, this marina may not be compatable with BCDC's plans or policies or the current city plan.

Several people commented on the leasing of city land for development and on the possibility of the city leasing public building space for private use. The leasing of public land for private development was viewed as a viable option depending on the circumstances involved in the particular case. One person commented that in this situation private developers would still compete for development of the site and, thus, the private market mechanism would still work.

Leasing of city office space for private use received a mix response. A number of people thought it was a good way to raise income for the city in a situation where the space would otherwise be unused. One person felt it was unfair competition with private sector office developers. The possibility of other more aggressive public/ private development ventures on the city's part got mixed response. Developers and some others were concerned about the city's ability to effectively operate in the private sector, while some thought the idea worth exploring.

B. Land Use Categories

1. Office

Office uses received a variety of comments from persons interviewed. Many persons felt that office uses were desirable. It was stated that providing office uses in the city made it possible for Menlo Park residents to work close to where they live. Concerning the downtown area, office uses are desired to provide additional shoppers for the retail uses. Offices also help support service uses downtown such as banking institutions that receive a lot of business from nearby office uses.

The Sand Hill Road area was described as a very desirable office location. Between 1974 and 1982 office rents in some areas doubled. The Sand Hill Road Office Park complex is said to command office rents of $2.50/square foot compared to office rents along Middlefield Road at $2.00/square foot. By comparison, office uses along Bayshore Highway 101 were stated as ranging between $1.50 to $1.75 per square foot. These figures indicate that Menlo Park has several desirable office locations.

However, several people commented that the current office situation in Menlo Park is one of having excess office space. Also, there is a perception that office uses increase traffic in Menlo Park and that in the downtown area they use up parking spaces that otherwise would be available

for retail shoppers. In addition, there is a perception that office use does not provide income to the city. For that matter, more than one person commented that a recent EIR showed that one of the new office uses on El Camino Real did not cover its own costs in terms of public services.

2. Retail Uses

In general, the people interviewed saw minimum expansion of retail activities in Menlo Park's future. The downtown area was seen as the main area for retail uses. Competition from Stanford Shopping Center was seen to be a main factor in limiting the expansion of retail activity in Menlo Park.

One person expressed the desire to maximize income available to the city from property that is currently zoned for commercial use rather than expanding the areas available for commercial use. The basic idea was to encourage full development of currently zoned commercial areas with uses and densities that would produce high income for the city.

Homeowners were described as having two concerns about retail uses. First, they wanted uses that matched rather than detracted from the character of the city. Second, they wanted uses whose operational characteristics (noise and traffic, specially in evening and weekend hours) would not disturb nearby residential areas. These concerns make homeowners dislike uses such as drive-in fast food facili-

ties. On the other hand, downtown retail uses were viewed as desirable by homeowners.

3. Industrial Use

Not many comments were received about industrial use. This is probably because the industrial areas are well defined and established and off to one corner of the city.

One developer's comment was that the nature of uses in industrial areas is beginning to change. Some areas are beginning to convert from more traditional warehousing and manufacturing uses to research and development activities with some related uses.

4. Housing

There was a wide range of opinion expressed about housing costs, location and density. One person remembered discussions in the 1960's about the high cost of housing in the Menlo Park area. These discussions continue today complicated by two factors. First, young people find it very difficult to purchase housing in Menlo Park because of high housing cost. Second many older people find it difficult to move from their older, large homes, into smaller, more convenient housing because they fear their new property taxes will be excessive. Proposition 13 limits the increase in property tax on their current homes, but when a new home is

purchased, its assessment for taxing purposes is raised to reflect its true market value.

How to provide low and moderate cost housing is an issue discussed by many people. Three approaches were mentioned frequently in the interviews: mixed use, smaller housing units, and "granny flats". Concerning mixed use many people saw it as a viable option in the downtown area, but many also expressed caution and a desire to see how developments like the "Two Worlds" development are accepted. Most people felt that smaller housing units were here to stay, and that to some extent this will help the cost of housing. Most people were cautious in their comments of "granny flats". Some thought they would be fine on a standard Menlo Park 7,000 square foot lot if the owner lives on the lot. Others wanted to make sure that adequate parking would be provided with the additional unit. Still others wanted an opportunity to see what they look like before they formed a firm opinion.

Several persons interviewed chose to comment on the same aspects of housing, but did so in a different directions. The following examples indicate the range of opinions.

One person commented that Menlo Park is basically a residential community and that the commitment to residential use will continue to encourage new residential development. This person felt that new housing was needed for second

level executives who wanted to stay in Menlo Park and also for "empty nesters" who wanted to move out of their larger homes into smaller ones still in Menlo Park.

A need for very expensive luxury housing was also stated. This would be very exclusive condominium units costing about $1,000,000 each. This person felt that portions of Menlo Park such as areas near the downtown were ready for high rise housing development such as the complex existing at University Drive and Valapariso Avenue.

The comment was also made that seniors need housing also and that it should be located in areas where services and activities are nearby, not in remote locations such as the Seminary property.

Another person felt that luxury housing could also be provided. However, this person felt that when a developer is granted high density approval then family priced housing (in the order of $200,000 unit) and moderate priced housing should be included as part of the package.

Another person felt that high density housing was appropriate in and around the downtown area. specially for management level people, however, this person defined high density as about three stories with one story of commercial use and two stories of housing. Luxury housing was also viewed as needed by this person , but not in high rise developments.

Another person agreed with the market and opportunity for mid-rise development of the type now existing at Valapariso Avenue and University Avenue, and stated that the increased density would also add improved identity to the community. Another person took an opposing view and stated that higher density housing will lower the quality and character of the community. They felt that the trees, landscaping and spaciousness that now characterizes Menlo Park provide the main identity which will be disrupted by high rise development.

These comments indicate a diversity of opinion even where there is generally agreement on some of the basic ideas.

5. Mixed Use Developments

Most people interviewed saw mixed use developments as either desirable for the city or at least worth trying because it seemed to help deal with a variety of issues simultaneously. People were genuinely surprised when they realized that Menlo Park has had a type of mixed use development for many years (not in one building). Sand Hill Circle Office Park complex is composed of twenty-two acres of townhouses and sixteen acres of office use in a very successful development.

Today the primary area being considered for mixed use according to the persons interviewed is north and south of

the downtown area. The uses people considered appropriate for mixing were office, retail/commercial, housing, and parking.

As indicated elsewhere in these comments, the density felt to be appropriate, that is the height of buildings, varies. Virtually all people indicated that buildings ten or more stories high were inappropriate. According to the interviews buildings at three to four stories would be well received. Buildings between four stories and ten stories were favored by some people but would probably need considerable discussion and substantiating information to receive approval.

Some of the merits attributed to mixed use development were the following: the new development could be accommodated with less traffic impact than development in another form, people living in mixed use development could get along more economically because they would need one rather than two cars per couple, developers could provide needed parking as they built their multi-story developments, accommodating development pressure in mixed use more intense, developments could relieve the pressure in other parts of the city and if done properly could provide municipal revenue for improvements throughout the city.

At least two people indicated caution concerning mixed use. One indicated they would like to see how the Two Worlds development works out before they draw a definite

conclusion. Another who was a business person felt that mixed use would not work. They felt that people simply do not want to live directly on top of office or retail activities.

Miscellaneous Uses

One person suggested some creative thinking should be done about automobile sales areas. This person indicated that auto sales areas were moving out of Palo Alto and that San Francisco has consolidated (or has been thinking of consolidating) auto sales areas in a concentrated area. The person indicated that Menlo Park could provide a full scale auto service center and thus reap the benefits of automobile sales, which are substantial. However, it would take some creative work to locate this kind of use in Menlo Park.

Another person indicated that affordable housing should be located near existing school sites since families living in affordable housing would probably have the children required to maintain schools.

Federal facilities were mentioned by one person as uses that don't pay taxes and uses where the owner does not come to the city for approval. Included in this category were: the USGS facility on Middlefield Road, the Veterans Hospital, and the SLAC facility at Stanford University.

7. Traffic Transportation Issues

Persons interviewed had much to say about traffic and transportation issues. Two big issues are stated as being the lack of east /west access across the city and the lack of sufficient parking in the downtown area.

One person stated that the lack of good east/west access forces traffic into neighborhoods that otherwise would be protected from it. Another person indicated that the El Camino Real and the Southern Pacific Railroad caused a main block for east/west traffic and that a railroad over-crossing was essential to improve the situation.

Another person indicated that traffic is perceived as being very bad. However, that police accident data doesn't indicate that traffic is as bad as people perceive it to be. This person went on to say that the bad situation is the fact you have to wait for two signals at intersections during certain times of the day. Persons who experience that wait at that time of the day conclude that traffic in general is a severe problem where as it is not severe at other times of the day. Noontime is stated to be the worst congestion time.

Several people viewed intersections as the main problem. specially intersections along Willow Road and Santa Cruz Avenue.

One person stated that traffic is a problem because

"solutions" advanced for dealing with it are actually proposals for limiting traffic capacity (narrowing lanes etc.) rather than solutions for expanding traffic capacity. Another person, who is a developer, saw continuing pressure to resolve the east/west access problem. They felt that new development in the city would continue to aggravate the problem until it got solved. As an alternative this person felt if the city really does not want to solve the east/west traffic problem then it should be more formal in establishing a "no growth" policy.

Another person, not a developer, stated that arterials should be created to keep traffic out of other areas. This person felt that a long term program should be developed to make several necessary connections. These included bridges over San Franciquito Creek at Alma Street, University Avenue to connect with Stanford shopping center, and Olive Street. This person also mentioned that Valapariso Avenue and other streets should be designed and operated as strong arterials for the city.

El Camino Real received much comment from persons interviewed. One indicated that the El Camino Real - Ravenswood Avenue intersection had one of the highest traffic level of all intersections in the San Francisco/Palo Alto corridor of El Camino Real. Another person indicated that El Camino Real's traffic problems are complicated by parking which is desired by businesses along El Camino Real.

A couple of people indicated that they look forward to improved traffic movement along El Camino Real and across El Camino Real when State installed traffic signals begin functioning.

A surprisingly large number of persons interviewed commented on the Willow Corridor and on the need to establish a facility to carry through traffic in the corridor. This is an issue settled in the early 1970's by a decision to not establish a major roadway in the corridor. From comments received it seems that many people are beginning to reconsider that decision. A couple of people indicated that the issue is not ready for new discussion and resolution yet, but that it is clearly not a dead issue.

The City Engineer is preparing a transportation study that is intended to come up with data and recommendations on the maximum trips that could be generated by use/area. (Cupertino has such a system).

C. Development Review Process

A surprisingly large number of persons interviewed offered positive comments about city staff. The surprising fact is that these comments were unsolicited. The comments came from developers as well as neighborhood people and business persons. Typical comments were the following:

o Menlo Park has the best professional staff of twenty jurisdictions I've worked in as a developer.

o City staff has been very good and helpful.

o The staff is very good and open in communicating with neighborhood groups and individuals.

o Staff is well respected for its talent, cooperation and compassion.

Several persons commented about the extensive and time consuming development review process. One developer stated that the city has the toughest and most extensive review of any community he's aware of. This person indicated that the number of hearings and the overall process allowed too much opportunity for persons to delay the process unduly. Another developer made a similar comment stating that his proposal was consistent with the city's plans and policies and yet took over a year to receive approval. Residents on the other hand viewed the lengthy review process as being good because it produced good development results. They also thought that the lengthy review process assured that facilities and services for residential areas were not ignored.

Several persons commented that the major delay in the review process occurred at the planning commission level. This person went on to say that council action is usually quick and efficient but that the nature of the council

action has changed in recent time. The council has reversed some planning commission actions and has made "heavy extractions" from developers at the end of the review process. These extractions and council involvement in architectural and other more detailed judgements have become common in recent years. If this is to continue the person felt that city policy should be changed and made more clear so that extractions and other detailed concerns can be considered earlier in the review process and become part of the normal city process so the developer can understand ahead of time what is to be expected, and can include these factors earlier as part of the process to determine the viability of a project. Another developer voiced similar concerns... saying that the problem did not concern "standards". It concerned ambiguity. This developer said Palo Alto's standards are tougher, but they are clearly stated and are known at the beginning of the process.

According to many persons interviewed, the lack of clear city policy on what is expected has become a disincentive for development.

Several persons commented that a major trend in Menlo Park is continued pressure for development from the immense economic activity on the San Francisco peninsula and Santa Clara County. These persons indicated that the establishment of a clear plan specifying where new development should go and should not go would provide a great service for

everyone involved in Menlo Park activities.

The developer of a very desirable project on Sand Hill Road stressed that it came into being because of specific suggestions and guidance by the city several years ago. Thus, this person indicated that the city has demonstrated substantial ability to guide development in good directions.

The interviews indicate that the city has been experiencing a time of significant change in development policy. One person very much involved in development activities indicated that there are conflicting trends and pressures which cause confusion in the development review process and in understanding what city policy really is. The three areas of conflict were stated as being: pressure from developers for new office approval, pressure from community organizations for more affordable housing, and pressure from many residents to keep the single family status of residential areas and a low density suburban environment.

From the interviews it appears that change is occurring. Some people talked about antigrowth sentiments in the community. However, most talked of a desire to accept change while maintaining community values.

One developer suggested that there should be more community discussion and public dialogue on development opportunities and alternatives. This person felt that if those attempting to accommodate development pressures and those

attempting to limit new development could talk more clearly and openly with each other, than better solutions would result. This kind of improved community dialogue received support from some residents interviewed who stated that they liked to have developers come to neighborhood meetings to discuss and describe their proposed projects.

In terms of new opportunities, the downtown area was viewed by most people as the major new opportunity/renaissance area. Many people referred to "recycling" uses and activities around the downtown area. Some of these comments referred to mixed use developments and mid-rise developments. Other comments concerned a fear that the new development along El Camino Real and nearby areas was not more sympathetic to the "leafy landscaped tradition" of Menlo Park. The comment was made that new development in Menlo Park looks like new development anywhere and that more effort should be made to preserve the traditional character of Menlo Park through building set back and landscaping requirements.

Virtually everyone interviewed indicated that the city should continue to be primarily a residential community and that new development should help provide for rather than detract from amenities in residential areas.

One developer concerned that extractions from developers will frustrate attempts to provide for desired new growth suggested that the city look to more direct taxation

methods to deal with its fiscal concerns.

The list of persons interviewed appears in Appendix A.

CHAPTER EIGHT FISCAL/DEVELOPMENT OPPORTUNITIES

Introduction

Menlo Park is in an enviable market position for new commercial development. It's downtown is strong with few retail vacancies and its sales per capita is increasing faster than its neighbors. The demand for office buildings is strong and, according to ABAG projections, office and service industries will continue to grow in the Peninsula and in its own sub area through the year 2000. Completion of the new Dumbarton Bridge and the related new feeder streets is expected to make its industrial area even more attractive. The problems facing Menlo Park are those of many mature cities on the peninsula, shortage of affordable housing, serious traffic problems, and shortage of parking downtown. Moreover, the city has few vacant parcels of land left to develop. Only approximately 116 acres of vacant land are available to develop - in a city which contains approximately 11,600 total acres. An additional 50 to 100 acres may be available for new development through rebuilding. The city needs to carefully evaluate how the remaining parcels are allocated among all the competing demands. Crucial factors in these decisions will include ability of development to generate net revenue to support city services as well as impacts on traffic, parking and the major question of community acceptance - making development choices

that allow for needed growth without substantially harming the special character of the city.

This section identifies development trends, broad opportunities for generating revenue, and key issues in six key locations in the city. Estimates of potential net revenue associated with development choices are identified in the following section.

A. Sand Hill road site (21.3 vacant acres)

TRENDS. The Sand Hill Road area at the top of the hill is one of 2 or 3 prestige office locations in the entire mid peninsula. Firms in this area primarily serve high technology clients and pay rents in the $2.00/square foot range. The spaces are in well designed settings with unparalleled access to I280. High quality residential homes complement the area which is served by a neighborhood shopping center. The vacant site is on the SW side of Sand Hill Road and is owned by Stanford University, which owns all the properties on that side of the road in the vicinity. Over the years the site has been discussed for development of more offices, housing and - significantly for the city - as a Stanford University conference center. Such a center, apparently would not duplicate the role of the Stanford owned new Stanford Park Hotel on Stanford owned land on El Camino Real. The site could also be used for a retail center, although no proposals for

such use have been reported.

FISCAL/DEVELOPMENT/POTENTIAL. The fiscal impact of development choices in the site could vary considerably. Fortunately, no major additions to city services appear to be needed to serve the potential uses. Unlike many parts of Menlo Park, traffic congestion is not a serious problem in this immediate area. Use of the site for much needed housing or offices offer limited prospect for significant revenue generation. On the other hand, a retail center (assuming there is a market for such uses at this site), or a combined restaurant and conference center hotel might be able to generate substantial net city revenue.

ISSUES. Any decision to request development of this site rests with Stanford and the University appears to have no immediate plans for the property. There does seem to be a continuing long term interest by the University in a "Stanford Inn" conference center on the site. Stanford's wishes concerning this site could have a very important revenue significance for the city.

B. Central Area (Total 105 acres with approximately 33 to 60 acres for potential rebuilding)

For identification the term "Central Area" includes Downtown, the areas adjacent to downtown and the El Camino

Real frontage. The term "downtown" means the area bounded by Menlo Avenue, Oak Grove Avenue, El Camino Real and University Ave. The term "adjacent areas" means the north and south of downtown from Valapariso Avenue to Middle Avenue between El Camino Real and University Avenue. The term El Camino Real frontage includes the entire length of that street. It also includes the land behind the frontage to the Southern Pacific railroad tracks.

This is the commercial heart of the city and serves along with the Civic Center as the symbolic center of the community as well. The stores generate most of the sales tax revenue for the city and their health is vital to Menlo Park's revenue. The downtown merchants successfully compete with Stanford Shopping Center and from other centers in Palo Alto and Redwood City for consumer goods trade as well as for convenience goods sales. Most of the shoppers are from Menlo Park so its future is strongly tied to the composition and trading habits of the City's own residents. Traffic and parking have become very serious concerns in the past 10 years. Local serving offices commanding rents in the $1.25/square foot range have grown on the periphery of downtown. They bring more employees who are potential customers but they also add to parking and traffic problems. Continued development interest downtown specially for offices - underline the potential for growth. Overall questions on the Central area include maintaining the quality and mix of merchants and the competitive position of downtown, striking

a balance between offices and retail stores, retaining and finding new housing opportunities - perhaps through mixed development - and resolving traffic and parking demands so that congestion doesn't choke off vital retail trade.

There are five key parts of the Central Area that need to be considered:

1. Downtown Santa Cruz Avenue Spine (no major rebuilding anticipated).

TRENDS. This is the heart of the shopping district. A successful Operation Facelift and Downtown Improvement program in recent years used City and Federal funds to improve store fronts, trees and paving. This gave the area an attractive appearance and reinforced the small scale, pedestrian character which strengthens the street's role as the retail center of Menlo Park. The lines of goods offered by merchants have been increasing in quality in response to the market and to rising rents - now in the $1.00 per square foot range. A growth of financial institutions in the Central Area is felt to have contributed to the increased rents. In an attempt to maintain the commercial viability of the street, the city allows as permitted uses only direct retail sales stores on the first floor frontages. The continuing vitality of the area, in spite of traffic and parking problems, is testimony to its retailing strength. Virtually all of the major merchants are

located on the Santa Cruz Avenue frontage. Keeping a mix of stores that will continue to compete with nearby rivals for comparison shopping items is vital to the downtown's strength and the city's sales tax revenues.

FISCAL/DEVELOPMENT OPPORTUNITIES There are virtually no vacant sites available for development along the street. Frontages of adjacent cross streets are also heavily built up. Parking behind the stores is heavily used. Any substantial rebuilding would likely require multiple story development over parking and this is seen as unlikely in the area immediately adjacent to Santa Cruz Avenue. Some changes in types of goods offered for sale could increase sales and sales tax revenues - in fact this may have been the source of some of the city's growth in sales per capita over the past few years.

ISSUES. The first major question is whether Santa Cruz Avenue will continue to function as a strong center against competing areas in Palo Alto and Redwood City. The performance to date suggest that the area can thrive in this competitive setting - specially in absence of any new major centers in the vicinity. However, the mix of stores and quality lines - which could be threatened by rising rents - is crucial. The second major question is the impact of downtown office growth. Office workers generate retail sales of selective

types. The advantage of these sales must be weighed against the pressure on land prices, long term parking (which can preempt parking for short term shoppers) and traffic. Office buildings generate peak hour traffic in the early morning, noon and evening periods. The noon and evening peaks can complicate shopping traffic.

2. El Camino Corridor - South of Ravenswood

TRENDS. The new office, retail and hotel projects along this strip carry out the city's policies to substantially change the character and intensity of uses in this key location. The projects will augment city revenues and the new office workers will be potential shoppers for nearby stores (although problems of crossing the El Camino Real may focus much of the foot traffic on stores on the east side of the street). The visual scale and style of the new projects contrast with the older stores on or near Santa Cruz Avenue but the impact of this visual factor on shopping patterns and revenue generation is hard to estimate.

FISCAL/DEVELOPMENT OPPORTUNITIES. Few additional changes are expected in this area. The auto agency use could either expand or contract depending on the market for autos and pressures for office and retail uses. The fiscal consequences to the city from such changes could be important. Revenue associated with auto sales can generate high sales tax revenue and adds relatively

little auto traffic on congested El Camino Real.

ISSUES. The primary question in this area seems to be the cumulative impacts of the projects on El Camino Real traffic. The office peak hours loads, while small numerically, will be felt at the most heavily congested intersections in the city. Likewise the hotel may contribute some traffic at the evening peak. City revenues from the Menlo Park Office Center project land lease should be stable and the potential revenue from the hotel appears to be substantial. City revenues from the Menlo Station project are expected to come primarily from the retail stores taxable sales and will be directly related to the mix of stores and individual success of the merchants.

3. <u>Remaining El Camino frontage</u> (<u>including west side</u>)

TRENDS. The remainder of the El Camino frontage has a wide variety of uses including motels, palm readings, boutiques, building supplies, a supermarket, restaurants and auto dealers. The auto dealers are probably the dominant city revenue generators although the motels, some of the restaurants, the drug store and even the supermarket may also bring in substantial revenue and generally high traffic as well. There are also some low intensity uses - along the street, specially behind the frontage on the east side north of

Oak Grove. The uses along the street within a block of Santa Cruz Avenue are stores which function as part of the Santa Cruz Avenue spine.

FISCAL/DEVELOPMENT OPPORTUNITIES. The most likely sites for rebuilding to new uses may be individually too small to meet the needs of major merchandizing outlets. Of course, continued strong market demand combined with aggressive city action might make site assembly for rebuilding feasible. It should be noted also that most high sales tax generators are often heavy traffic generators too. Housing might be considered for some sites as well but the heavy noise from El Camino Real traffic and the railroad pose a serious noise-proofing problem. The frontage along the west side of El Camino Real is quite shallow. This lack of depth could be a serious barrier to rebuilding unless parcels behind the frontage could also be used.

ISSUES. New development along El Camino Real could bring in some strong new tax generators such as motels and auto dealerships. However, the impact of projects on the serious traffic situation and on land uses behind the frontage would need to be carefully examined. The city would need to be cautious about overbuilding beyond market demand, which could just move customers and tenants from existing locations elsewhere in the Central Area. In addition the potential loss of

revenue from removing existing retail uses needs to be taken into account.

4. <u>Area adjacent to downtown</u>

TRENDS. The area behind the El Camino Real frontage to University Avenue and from Valapariso Avenue to Middle Avenue now has a combination of housing, offices and scattered small stores. Houses closest to Menlo and Oak Grove Avenues are being replaced and apartments are replacing single family homes with offices. Much concern has been expressed about the traffic and parking problem related to the offices, but they can also be a balancing and stabilizing influence in the downtown. Office employees are a market for downtown retailers - specially for restaurants - and the strength of demand for offices suggest that office employees will be a continuing source of trade for the future. In other words, while office employees probably cannot fully sustain downtown sales, they are a predictable and somewhat captive market which should be recognized. The offices, other commercial stores, and the related traffic and parking all compete with the existing housing pattern in the area and could undermine the area as a place to live.

FISCAL/DEVELOPMENT OPPORTUNITIES. There appears to be a strong market for additional offices and new housing in

the area. Mixed use development combining housing with offices or possibly stores have been actively discussed. One project has been approved for the area west of El Camino Real and north of Oak Grove Avenue. Another project east of El Camino Real is under discussion. The mixed use idea is attractive for a number of reasons. New office or retail space could be built while adding new housing stock as well. If carefully designed, these projects could provide a nearby resident pedestrian population which may patronize downtown stores without adding as much to traffic congestion. Parking spaces for offices and stores can be combined for more efficient use of land. If higher densities are permitted this can help developers pay for parking mitigation measure and other environmental amenities. It should be noted, however, that buildings which exceed 3 stories - the approximate tree height - would change the visual character of the area and probably would run into community opposition.

ISSUES. The idea of mixed use development near downtown is attractive. However, from a fiscal point of view a number of questions need to be answered.

First, the commercial or retail growth feasible here may add much to the city's net revenue, but this could be offset by added public costs for traffic mitigation. If commercial properties are not sold frequently, the

property taxes would be "frozen" for a longer time than if the land were in individual owned housing. Also, additional new offices and retail stores could cause relocation of existing tenants and patrons if over-building is allowed.

Second, the type of new housing chosen can have an impact on downtown retail sales and tax revenues. For example, if new units were designed for older residents, they would be more likely to shop downtown and do less driving than more mobile young adults. The incomes of downtown residents is important too. Low and moderate income housing is urgently needed but the disposable income and shopping tastes of these residents may not support the trend toward higher quality goods being offered by the merchants. More affluent residents would have more disposable income and their tastes may be closer to the goods offered downtown but they may require more parking and drive further for their purchases.

Third, virtually all of the area is developed in housing already. The benefits from new housing units may be limited when the loss of the existing units and the attendant relocation problems are taken into account. This could specially be the case if multiple story apartments were to be lost.

C. Seminary Property (59 acres vacant)

TRENDS. There has been substantial interest in developing the vacant portion of the Seminary land. The site may be the last major opportunity to add new housing in the city. A number of ideas have been discussed but no applications have been submitted. Ideas for the site have included development for a retirement community, various types of other housing, and offices. One recent concept which included offices, a retirement community and some moderate income housing was dropped. There seems to be general agreement that the site should be used primarily for housing. (The type of housing suggested ranges from upper income single family homes to multifamily units for a broad range of incomes.) Offices along the Middlefield frontage have been discussed with questions raised about how many offices and how the city can ensure that both housing as well as the offices are actually built.

FISCAL/DEVELOPMENT OPPORTUNITIES. The mix of uses can dramatically affect tax revenues, and the amount of new housing available in the city. For example, a high income single family development with no public open space could generate more revenue than costs. By contrast lower priced housing with public open space could cost more than the revenues generated. Offices along Middlefield Road could generate added revenues to help

carry the cost of lower priced housing. A retail center or hotel might generate even more net revenue. Specific proposals would have to be evaluated to get precise answers.

ISSUES. Community acceptance and the wishes of the Seminary owners will probably be the major criteria for deciding the type and intensity of uses on the property. Traffic impact on Middlefield Road and on any other streets connected to the project will be a major concern. The intersections of Middlefield with Ravenswood Avenue and with Willow Road are now at D and E levels of traffic service, respectively. Net tax revenues from housing could vary considerably - and might be augmented through office or retail development. A retail center might be considered - both as a source of sales tax revenue and for provision of retail services which are scarce in the portion of the city east of the Southern Pacific railroad tracks.

D. Willow Road Frontage -101 to Middlefield (no vacant parcels. Approximately 2 to 3 acres potential for rebuilding.)

TRENDS. The future of Willow Road and a connection to Sand Hill Road through the Stanford Shopping Center has been a hot topic of community debate for years. Officially the idea is dead but many people outside govern-

ment are not convinced. If the road is to be upgraded in the future it makes no sense to think seriously about rebuilding along parts of the narrow existing retail frontage. The land along Willow Road is included in the Development District and improvements to existing stores or additional new retail office or housing units could be part of the plan. The narrow right of way and heavy traffic pose serious limits on the type of new or even upgraded uses that could be built. Nevertheless, there are some scattered sites facing the road where low intensity uses or vacant buildings might be attractive parcels for small scale investment.

FISCAL/DEVELOPMENT OPPORTUNITIES. Some sites may individually be attractive for commercial upgrading - and increased sales tax revenues - but the scale of change is not enough to represent any important new city or Development Agency revenue. Also, traffic engineering and parking requirements for more intensive uses might more than outweigh the benefits from new revenues.

ISSUES. The central question is whether Willow Road should be upgraded to Middlefield Road or even through to Palo Alto and Sand Hill Road. No major commercial rebuilding should be committed until that question is settled. Conversely, a decision to expand commercial uses along scattered sites on the road could be a de

facto decision not to upgrade the road and could preclude a connection beyond Middlefield.

E. Willow Road Frontage - Belle Haven (no major vacant sites, approximately 3 to 5 acres for potential rebuilding)

TRENDS. This neighborhood is a well established community with its own identity and is the primary source of low and moderate income housing in Menlo Park. The Development District program now underway offers the chance to address some long term problems and ensure continuation of the area as a stable community. There has been very little new commercial or industrial development in the area in recent years. Indeed the commercial stores on the north side of Willow Road show signs of decline - perhaps directly related to the apartments which share the frontage. The land along Hamilton Avenue and the railroad contains a mix of industrial buildings, marginally used commercial properties and housing units.

FISCAL/DEVELOPMENT OPPORTUNITIES. The Development Program may offer the chance to upgrade the Willow Road frontage along with some marginal apartments facing the Bayshore Freeway along Pierce Road. Under the program the marginal units on Willow Road may be upgraded or cleared and marginally used sites on Hamilton Avenue maybe rebuilt to balance housing lost on Willow and Pierce Road. Some new or upgraded retail stores along

Willow Road are possible. The Dumbarton Bridge project with its two new road connections should decrease the traffic congestion along rebuilt Willow Road. Many additional new employees will be working in the area as the Raychem and Menlo Business Park projects are completed. Since there are few off-site commercial services in the area these employees represent a potential market for convenience retail stores. Additionally, Belle Haven residents now have to cross the Bayshore freeway to find commercial services for many of their shopping needs. The Willow Road frontage might serve these retail needs as well. However, few sites are likely to be available and the narrow depth of the lots may preclude development of any major scale supermarket, drug or other service stores. The potential for significant contributions to city or Development Program revenue is very limited.

ISSUES. Improved stores along Willow Road could augment the Belle Haven community services. While the community itself may be too small a market to support a full range of stores the added market from new employees nearby might be enough to interest some new retailers and investors. The key may be whether the traffic patterns on new Willow Road will allow more intensive retail activities.

F. Bohannon Industrial Park and Haven Avenue (42 acres in scattered vacant sites and potentially 14 - 33 acres in rebuilding sites)

TRENDS. The Raychem and Menlo Business Park projects will occupy virtually the last large vacant industrial sites in the city. New industrial activity will be on scattered small vacant sites in the Bohannon Industrial Park and along Haven Avenue. There are still approximately 42 acres on scattered sites in the Bohannon project. There is also an increasing potential for rebuilding or more intensive use of built up sites in this area. The strong market demand along the entire peninsula for light manufacturing and research and development space is already reportedly being felt in the Bohannon area as some warehouse operations are being supplanted by manufacturing and research and development uses. The industrial and commercial area along Haven Avenue may be affected as well. This street will have excellent access to the Dumbarton bridge when the new Marsh Road connection is completed. The newer office buildings recently built on this street could signal a shift to more intensive uses for currently underutilized parcels.

FISCAL/DEVELOPMENT OPPORTUNITIES. The trend toward more intensive uses could require some adjustments in the Bohannon Industrial Park and along Haven Avenue.

The fiscal implications of such a shift are not clear. A modest net increase in city revenues could be expected as the vacant properties develop. No strong increase in city revenues or costs appear to result from a shift to more intense use of properties now developed. More employees in some of the existing buildings would have little effect in revenues unless the building values increased significantly, or some of the new firms generated taxable sales. New two story office development along Haven street could add new important property taxes for the Development Program. If enterprises which generate taxable retail sales were included, the city's revenue could be increased. Added employees at the new Raychem facility represent a new market potential here - as along the Willow Road frontage in Belle Haven.

ISSUES. The City has very limited means to bring about change in the Bohannon Industrial Park. That land is essentially committed to a development pattern and few vacant sites remain. Intensification of development could place some strains on sewage capacity, parking and traffic in the Bohannon Area - specially the remaining site west of the Bayshore. The Haven Avenue area as part of the Development District - could generate some important revenues from property taxes, if two story offices were built. The City's revenue interests would be served by rebuilding for uses that

generate sales tax revenue - especially at the vacant site near Marsh Road.

CHAPTER NINE TRAFFIC SYSTEM MANAGEMENT AND SEWERAGE CAPACITY PROBLEMS

During the course of this study certain problems were mentioned relative to traffic congestion and waste water capacity as they might restrict future development. The following information is given in relation to the possible mitigation measures for these potential problems.

A. Transportation System Management (TSM)

Transportation system management techniques are being considered more and more by local communities to help deal with traffic and transportation issues. TSM offers operational improvements that are flexible and low in cost. TSM techniques are becoming more popular as the lack of funding at the local level becomes more acute.

Three main program areas for TSM activities include: ride sharing (car pooling, van pooling, and bus pooling), improved use of transit, and alternative work hours.

Traffic and circulation problems being experienced by Menlo Park might be lessened by a selective use of TSM techniques. Alternative work hours and the provision of shuttle service are two techniques that could be quite applicable.

Several techniques are available for "alternative work hours". Essentially, they spread peak hour traffic by

changing the time at which employees come to work and leave work. Varying the lunch hour can also help. Office uses in the El Camino Real corridor and the downtown and surrounding areas could be encouraged to adopt alternative work hours. This can be promoted with employers to maximize the effect. One limiting factor on this approach is that it is harder to achieve substantial success when dealing with employers having few employees. This problem can be partially overcome by having a well accepted and established organization coordinate an approach to help employers assess the potential of this approach and then actually implementing it.

Providing a shuttle service is the other TSM program that could help. The downtown area and the El Camino Real corridor are adjacent to each other. Parking and traffic are described as major problems in both areas. El Camino Real itself forms a barrier for office workers on one side to cross over to the other side. A shuttle service could provide a convenient connection between office and retail uses on either side of El Camino Real. It could even connect the SRI and USGS area with downtown. It, thus, could increase the sales made by employees working in Menlo Park. The shuttle could also connect with remote parking lots if any are developed in the area.

B. Wastewater Capacity Available

There is a perception that little wastewater capacity

remains for new development in Menlo Park. In the very short term it is true that limited capacity exists. But this limitation is expected to be removed during 1984 giving Menlo Park at least 10 more year's capacity and giving the West Bay Sanitary District which serves Menlo Park the basis for developing the capacity needed through at least the year 2003. The current situation and options for the future are described below.

Background

The West Bay Sanitary District (WBSD, formerly called the Menlo Park Sanitary District) serves a thirteen square mile area covering Menlo Park and portions of Redwood City, Atherton, Portola Valley, Woodside, East Palo Alto and other incorporated areas of San Mateo County. WBSD joined the South Bayside System Authority (SBSA) in order to meet the requirements of the Federal Water Pollution Control Act of 1972. SBSA also serves the cities of Redwood City, San Carlos and Belmont.

A new wastewater treatment plant at Redwood Shores gives SBSA a capacity of 24 million gallons per day (mgd). When the new SBSA plant became operational, WBSD closed its plant in Menlo Park because it did not meet Federal requirements. This old plant still exists but it is not in use.

WBSD now owns 25.4% of SBSA's capacity, i.e., 6.1 mgd of the 24 mgd capacity. In addition, existing industries

served by WBSD own 0.5 mgd of the SBSA plant's capacity. Thus, WBSD owns or manages 6.6 mgd (6.1 + 0.5) of the SBSA plant's 24 mgd capacity. WBSD serves 55,000 people or about 22% of the population in the SBSA.

The 0.5 mgd owned by existing industries results from Federal regulations in existence when the new plant was developed. At this time future plant capacity could not be developed for industrial use with Federal funds. Thus, industries paid for capacity to be added to the plant. Now, any of the capacity can be applied to any use but, if any of the 0.5 mgd owned by existing industries is applied to another use, it would have to be purchased from its current industrial owner and relocated to whatever industrial or non-industrial user that wanted it.

Current WBSD Flow and Capacity

Currently about 5.8 mgd of WBSD's 6.1 mgd allocation are in use. Thus about 300,000 gpd remain available for new development. Some of the 0.5 mgd now owned but not used by industries could also be available to new development if the current owners were willing to sell it. A recent survey of these current owners concluded that none were interested in selling capacity at this time. It should be noted that if any of the 0.5 mgd owned by industrial users were to be transferred, it would first have to be sold back to the district. The capacity can not be transferred between users directly. In this event, the capacity would most likely be

allocated to WBSD's planning agencies.

Current Capacity for Menlo Park

Within WBSD the remaining available capacity is allocated to planning agencies served by the District. As new development is approved in these agencies the planning staff keeps track of the capacity assigned to the new development and of the capacity remaining. WBSD estimates that Menlo Park has about 100,000 gpd capacity left for use, based on the districts records. The Menlo Park Planning Division estimates about 60,000 gpd available for new development. The 40,000 gpd difference exists because users' capacity is deducted immediately upon approval by the city but only after receipt of a signed letter of recommendation at the District. Over the last six years Menlo Park has added about 35,000 gpd each year to its flow through WBSD. Thus, with 60,000 gpd available, the city has a little more than a two year supply left.

Alternative for New Capacity

Three alternatives are being explored to add capacity to SBSA, which would in turn make new capacity available to WBSD and its agencies, including Menlo Park. The first option is to reclassify the existing plant for Redwood Shores to a higher capacity. The second option is to build new capacity at the Redwood Shores plant. The third option is to reactivate the old plant in Menlo Park.

Option 1: Reclassification

The first option is a simple short term solution. It involves reclassifying the present plant from 24 mgd capacity to 26 mgd capacity. This reclassification requires only a decision by the California Regional Water Quality Control Board. Minor plant modification will be necessary for the reclassification. The modification consists of minor improvements to the disinfection system at an estimated cost of $220,000. An application is now pending before the Board and approval is anticipated shortly.

Since WBSD owns 25.4% of the SBSA plant, it is expected that 25.4% of the plant's anticipated 2 mgd new capacity would be available to WBSD. This would give WBSD 508,000 gpd of new capacity.

Menlo Park received 76% of SBSA's reserve capacity in 1976. It is expected that Menlo Park would receive at least 76% (or 386,000 gpd) of the new 508,000 gpd capacity.

During the past 6 1/2 years Menlo Park has added 230,000 gpd to WBSD flows. This averages out to a little over 35,000 gpd each year. Taking Menlo Park's current unassigned 60,000 gpd and adding the anticipated 386,000 gpd addition gives 446,000 gpd. At an average annual increase of 35,000 gpd, Menlo Park would then have almost a thirteen year supply of new capacity. This would satisfy Menlo Park's needs through 1995 or 1996.

Option 2: Add to Redwood Shores Plant

The second option being considered is to build added capacity at SBSA's Redwood Shores plant. A 20 year plan now being prepared for the plant estimates a need for 6 mgd over the current 24 mgd capacity. The new capacity of 30 mgd could be provided by adding modules to the plant. It is estimated that about $9 to $12 million would be needed to reach the 30 mpgs capacity.

Option 3: Reactivate Menlo Park Plant

Current analysis indicates that reactivating WBSD's old plant in Menlo Park could be a less expensive way of providing new capacity. This is the third general option being explored. Preliminary estimates indicated that the old plant can be updated and reactivated for about $7.2 million inflated to the midpoint of construction for four years.

The reactivated plant would have a capacity of 8 mgd. Adding this new capacity to the reclassified 26 mgd capacity at the Redwood Shores plant would give a total capacity of 34 mgd. WBSD could sell 6.6 mgd back to SBSA and thus cover the cost of reactivating the Menlo Park plant. The 6.6 mgd would consist of 6.1 mgd owned by WBSD plus 0.5 mgd anticipated from the reclassification of the Redwood Shores plant. This 6.6 mgd would allow SBSA to satisfy the needs of its other agencies (i.e., its need not including WBSD) to the year 2003. The 8 mgd remaining available to WBSD would

satisfy WBSD needs at least to the year 2000.

The reactivated Menlo Park plant could be operating by 1987 or 1989, well before the time when the 1995-96 capacity limit provided by option one is reached.

CHAPTER TEN FINDINGS AND RECOMMENDATIONS

The development choices made by Menlo Park can have a significant impact on the city's revenues, traffic, jobs and housing stock. Potential development choices and building sites were examined to determine a rough estimate of the impacts of some of these choices. The effect of a relatively intense pattern of development in a number of locations was estimated in order to identify impacts on revenue generation and traffic in the City. The findings are not precise. They are based on general patterns of development and revenue generation. Data from Menlo Park was used whenever possible, supplemented as needed by data from other cities in the Bay Area. In a few instances nationwide averages were used when no area sources were available. The type and extent of new development and rebuilding were estimated as well. Careful review of the assumptions and data can strengthen all of the projections but the basic conclusions can form a solid framework for subsequent detailed analysis of the development choices in reviewing the Comprehensive Plan.

Discussions with city officials and interested city leaders identified four major development issues which were considered in the analysis; 1) generating tax revenues, 2) impact on traffic, 3) pressures for additional offices, and 4) the need for more housing --specially low and moderate income units. The analysis looked at development choices

and traffic impacts in light of four possible city strategies; 1) maximizing city revenues, 2) development according to current market trends for offices and higher income housing, 3) maximizing housing wherever possible and city revenues at other sites, and 4) maximizing low and moderate income housing where possible and city revenues at other sites. The projected results of these four strategies follow:

Summary of Findings

Menlo Park could increase its annual revenues by as much as $2,300,000 or as little as $1,000,000 through the choices it makes in developing its larger vacant parcels and selected rebuilding.

If the city wishes to gain maximum tax revenues it should encourage retail stores and hotels where appropriate. This strategy could bring in an additional $2,000,000 or more -- approximately a 30% increase in annual revenues. This strategy could nearly double the existing retail space downtown. However, it could also add more than 20,000 daily trips in the downtown area.

If the city wishes to seek maximum growth opportunities in white collar jobs it should concentrate on offices where appropriate. This strategy could add more than 15,000 new jobs and add approximately $1,500,000 to

city revenues.

If the city chooses to emphasize housing whenever feasible and retail/hotel development in other opportunity areas, it could add approximately 1,000 housing units and $1,300,000 to annual revenues.

If the city emphasizes low and moderate income housing whenever feasible and retail/hotel development in other areas it could add nearly 1,000 low and moderate income units and still add nearly $1,300,000 to annual revenues.

The key to downtown retail strength may lie in the mix of speciality uses, combined with aggressive merchant and city marketing of its special character.

General Fiscal Policy

1. Hotels and motels are the city's strongest potential revenue source in terms of tax revenues per acre and should be considered if feasible locations can be found. The hotel occupancy tax can raise up to $65,000 per acre annually. Revenue generation is directly related to room rates and occupancy percentage so higher quality, well run establishments will generate more revenue. No extraordinary service costs are apparent. A note of caution however, the market for hotels and motels on the Peninsula may be near saturation. Hotels and motels generate approximately 500

trip ends per acre/day which is low compared to many retail traffic loads. Peak loads vary according to the clientele of the establishments and may occur in the 7 - 9 am peak morning period, 2 - 4 pm mid-afternoon, 5 - 7 pm evening peak or even later evening. The late arrival and early morning peaks are more typical of freeway oriented units.

2. The city should selectively pursue revenue from retail trade. The tax generation rates are high but care is required because sales tax rates can vary widely according to the type of establishment and high traffic loads can accompany many -- but not all-- of the high sales tax generators. The key to watch for is average sales per customer. As an example, a purchase from an auto dealer can easily exceed $10,000 while an average purchase from a fast food restaurant may be around $5.00. Even if a customer visits an auto dealer 4 or 5 times before buying and has another 20 trips for services, it would take 100 trips to a fast food outlet at $5.00 each to equal the sales tax generated by a single auto dealer sale. Even within a single retail category sales tax generated per trip can vary widely. The average purchase at a supermarket may be $50.00 or more while a trip to a convenience grocery store may result in only a $5.00 sale. A number of caveats should be kept in mind when examining retail sales tax revenue:

a. The city has very limited amounts of vacant land and only a relatively small amount is likely to be rebuilt. Accordingly the city should look at tax yield per acre of development rather than tax yield per establishment. For example an auto dealership may have $6.000,000 in taxable sales/year while a restaurant could have an average of $300,000. However, the auto dealership requires much more land -- perhaps an average of 2 or 3 acres, while the restaurant may need less than 1/6 of an acre for its site - including parking. Looking at tax yield per acre, the differences can diminish as shown below:

Land Use	Tax Sale Establishment	Average Size of estimate	# of estimates per acre	Estimated tax value/ac.
Auto Dealer	$6,000,000	2.5 acres	.4	$2,900,000
Restaurants	300,000	.16 acres	.2	$1,900,000

b. Another way to look at tax potential is to examine gross sales per square foot and multiply by the estimated proportion of the total sales that are taxable. Results can vary widely among retail uses. For example virtually all auto or appliance store new sales are taxable, but repairs are taxable only for parts. Food stores may have high gross sales per square foot but probably only 25 - 30% of the sales are taxable. The strongest retail uses in terms of taxable sales/acre are liquor stores, auto dealers, restaurants and drug stores.

c. Caution needs to be exercised when considering potential sales tax revenue from rebuilding along established commercial strips such as El Camino Real and Willow Road. An indifferent looking existing auto parts store may yield more taxable sales per square foot than a charming boutique, and the loss of revenue from intensively developed existing stores could outweigh the revenues from new retail centers.

d. Trips generated by retail stores vary considerably as do peak hours for trips. Most retail stores in downtown areas have their heaviest patronage during afternoon hours. Restaurants may have high peak traffic at noon and early evening. Food stores have peak loads during the evening rush hour and on Saturdays. Traffic generation rates vary widely from as high as 5,500 trip ends per acre for convenience food stores to 100 trip ends per acre for furniture stores.

3. The two and three story offices most frequently built in Menlo Park yield only a modest amount of tax revenue in comparison to retail or hotels, and should not be viewed as the best source of tax revenue. In the Development Area, however, offices can be improtant tax generators. One to three story offices generate approximately $2,500 to $7,000 per acre -- almost half of which comes from business taxes and estimated employee spending on retail sales. High tax yields

come from more intensive office development than generally reported to be acceptable in Menlo Park. For example, office buildings would need to be six to eight stories high to equal the tax revenue per acre of typical single story retail stores. The traffic generated by offices is substantially less than that from retail stores 200 to 500 trip ends per acre is typical. However, the peaks are at the heaviest traffic periods, early morning, noon and late afternoon. Office parking has been a source of conflict for downtown merchants in the past with office employees pre-empting short term shopper parking in the downtown area. Presumably this could be remedied if offices were required to provide adequate parking for their own uses.

The property tax yield from offices is clearly secondary to that generated by retail stores but offices are also a source of high mobility white collar jobs. Employees of downtown offices also are a stable potential market for retail stores -- primarily eating establishments and other retail goods. Their spending is estimated at $1,000/year per employee. While numerous downtown studies have shown that office employee purchases cannot alone sustain a strong downtown they can provide a built-in market for some types of stores and restaurants. Also, visitors to offices -- specially offices serving the general public can generate retail sales to combine trips to offices with

shopping. In fact, some dentists in large shopping centers have given beepers to patients so they can shop while waiting for their appointments. These benefits to downtown from offices could be realized by locating offices, such as doctors, lawyers, insurance and financial institutions, off the major shopping streets and, where ever possible, above first floor retail stores. Projections for the mid-peninsula area anticipates a strong market for new offices but it would be prudent for the City to make sure that the market could absorb the amount of new building that may be proposed.

4. Industrial uses including light manufacturing, warehouses, research and development and administrative offices yield tax revenues on the order of $2,000 per acre -- similar to single story offices. The property tax yields may be somewhat higher depending on the type of uses. Retail sales by industrial employees are usually for food purchases -- either in a company sponsored cafeteria or at off-site locations. Convenient access to retail service stores such as coffee shops, convenience grocery stores and drug stores may influence the level of these off site purchases by employees. Levels of traffic generation on the order of 30 to 100 trip ends per acre are significantly lower than retail stores and offices but can have important impacts when large industrial parks are developed.

The few vacant industrial parcels left in the city are not likely to have an important effect on tax generation except in Development Area (see below). Similarly, a change of use within existing industrial parks from warehouse to light manufacturing or research and development would likely only have a minor effect on property and retail sales tax revenues.

Industrial uses typically do not produce significant levels of sales tax revenue. However, approximately $1,900 per capita in taxable sales for Menlo Park comes from what is termed "other sources". Some of this revenue may be generated by incidental retail sales of industrial products at manufacturing firms or warehouses -- specially firms which manufacture consumer products. An extreme example of this possibility is Western Electric Company in San Leandro. Their sales of telephone sets to other divisions of AT&T were technically classified as retail sales, bringing substantial sales tax revenues to that city for many years. Such occurrences are rare "windfalls" for a city. With this possibility in mind, it would be prudent for the City to be alert for, and encourage these types of firms when reviewing development proposals -- and in preparing specific policies and regulations for industrial areas. Firms with incidental retail sales might come into the city as existing industrial buildings change use as well as through new industrial

development.

5. Housing may be as important a tax generator as offices or industry -- specially if sales tax per capita is included in the calculation. This finding - which could have important implications for the City's development strategy - is affected by 4 key assumptions and factors:

   1. Most importantly, the scale of the building projects must be small enough so that no major new public services or facilities would be required.

   2. The price of the units to be built directly affects property tax revenues. $400,000 units generate four times the gross property tax revenue as $100,000 units and usually do not increase costs by that much.

   3. The density of development affects both the number of units subject to the property tax and also the number of persons in the project -- which affects other tax sources.

   4. Adding an estimated $4,000 per capita contribution to taxable sales from housing residents - increases potential revenue from housing projects by 25%. A discussion of this estimate follows:

Menlo Park's average tax sales per capita are approximately $5,800 for retail sales and $2,100 for taxable sales from "other sources". A number of important questions related to double counting of residential per capita spending needs to be resolved. Some of these questions also apply to counting retail sales by employees of office and industrial workers. Four questions need to be answered:

a. Would the residents in the new housing be new residents of the City rather than just be relocating from elsewhere in Menlo Park? If the housing is not a net addition to the housing stock then per capita sales shouldn't be counted.

b. Menlo Park reports taxable sales per capita of approximately $7,900. Would these monies really be spent in Menlo Park? The sales tax per capita actually includes money spent by non-residents in the city and, of course, doesn't include spending by city residents outside the boundaries. Menlo Park's $5,800 for retail sales is a remarkably 40% below the average for comparable cities and is far below the $10,000 per capita in Palo Alto and $13,000 per capita in Cupertino, -- both of which have very strong regional shopping centers. The low rate of spending suggests that there may be a

potential to increase per capita spending by residents in Menlo Park if the right merchandize were available.

c. The $7,900 spending figure is an average for all residents. Presumably persons with higher incomes would spend more and therefore the income mix of new housing residents would affect the spending per capita rate.

d. The most troublesome question is whether spending by Menlo Park residents is being counted twice -- once as potential sales per resident and again as potential sales in new retail establishments? It should be deleted if all the sales will go to the new retail establishments projected in this analysis. Certainly some of the per capita spending may go to the new retail units. The potential new stores projected in the analysis show a maximum of about 400,000 new square feet which would approximately double the existing 413,000 square feet downtown. Therefore the extent of double counting must be taken into account in evaluating the impact of spending by new housing residents.

In summary, the impact of many questions related to counting the per capita income from new housing units make it difficult to assert that $7,900 is an accurate number, but clearly there is an added

sales tax benefit from the new housing. An estimate of $4,000 per capita was used for this analysis.

Traffic impacts from the type of housing built are in Menlo Park are in the range of 25 to 100 trip ends per acre daily -lower than both offices and retail stores.

6. Development District Tax Revenues. The tax increment financing formula produces property tax yields eight times higher in Development Areas than in other parts of the city -- and all the yields go to the Development Agency. Under these conditions property taxes become a very significant factor for the Development Program. The property tax yield per acre for all land uses go up by the same factor but in this situation the effect of multiple stories -- even 2 or three story development -- generates considerably more funds. For example a typical two story office building which might yield $2,500 per acre elsewhere in the city could produce $18,000 per acre in the Development District. Accordingly, two story offices should be recognized as potentially strong tax producers in Development Areas. In the Haven Road area, development of two story offices could produce nearly $250,000 to $500,000 in property taxes for the Development Program - much more than single story industrial or retail uses.

Only property taxes are diverted to the Development

Program. Other revenues (sales taxes, business licenses, etc.) continuing to flow to the city. In some areas the city could face a choice between two story office buildings which produce higher property taxes for the Development District and retail stores which would produce higher sales taxes for the City's general fund.

Summary - effects of types of land use on tax revenues. Occupancy taxes from hotels and sales taxes from stores are the strongest source of new tax revenues for the City. This is particularly true if costs of serving the new development can -- as generally believed -- be kept to a minimum. The major problems appear to be traffic congestions and relocation (in rebuilding areas). Property taxes from offices, housing and industry are only a secondary source of tax revenue where relatively small parcels of land are involved -- even when augmented by estimates of retail spending by employees and residents. In Development Areas, the impact of property taxes is multiplied eight times, and multi story offices can be a strong generator of tax revenues.

Specific Development Areas

The section on Fiscal/Development issues identified six areas for potential development of either vacant land or through rebuilding. This section examines the areas in more

detail and estimates the fiscal and related implications of various development choices that the City might face. The overall impacts of four general possible strategies are explored (1) maximize city revenues in each location, (2) follow market trends toward offices and high income housing, (3) maximize housing where appropriate and revenues in other locations, and (4) maximize low-moderate housing where appropriate and revenues in other locations.

1. Sand Hill Road - 21.3 acres. Development of the site as a large scale conference center would generate significant revenues. A combined 10 acre conference center and an 11.3 acre shopping center would generate even more revenue. However, there are serious questions as to whether there is a market for such a shopping center here and whether Stanford University would be interested in using the land for this purpose. Development along this line would produce a significant traffic increase at this intersection with I280. Alternative development as a combined conference center with housing or as a shopping center with housing would also generate considerable revenues for the city - with attendant traffic increases. Use of the site for offices or for offices and housing would generate far smaller revenues.

   Community acceptance: Traffic impacts are likely to be the major question related to developments at this

site. However, this is one of the few large vacant sites in the city, and the question of using this land to provide housing will also likely be raised.

TABLE XIV

Estimated Impacts of New Development
Sand Hill Road Site

Land Use	Estimated Tax Revenues	Traffic (Trip Ends)	Housing Units * Total	Lo/Mod	Jobs (Office)
Conference Center (10 acres - remainder of site left open)	$650,000	4,800	-	-	-
10 acres Conf. Center 11.3 acre Shopping Center	$800,000	11,700	-	-	-
10 ac. Conf. Center 11.3 Housing (High income mix @ 8/ac)	$680,000	5,300	260	90	-
10 ac. Conf. Center 11.3 ac. Offices (2 story)	$700,00	9,700	-	-	900
21.3 ac Offices (2 story)	$145,000	13,900	-	-	2800
11.3 ac. Offices (2 stroy) 10 ac. Housing (High income mix @8/ac)	$105,000	7,000	-	-	1020

* Number of housing units possible with number of housing for low and moderate income within that total.

2. Seminary Property - 59 acres. A mixture of multi-family housing with offices and a small shopping center would generate the most revenues -- and the most traffic. Convenience retail stores could make the project more attractive to retired persons. It is not certain that there would be a large enough market to support stores here but the concentration of office workers along Middlefield Road in this area would add to the potential market. The proximity of stores to the nearby high school could be a complicating factor. The choice among housing price ranges and densities could affect the tax revenues considerably. However, adding a small private retirement/nursing center doesn't appear to substantially change potential revenues.

Community acceptance. The traffic impacts of the project on Middlefield Road and any other streets connected to the project will doubtlessly be of much concern to the neighborhood. The density and mix of incomes in the project will also be a major interest to nearby residents.

TABLE XV

Estimated Impacts of New Development
Seminary Property

Land Use	Estimated Tax Revenues	Traffic (Trip Ends)	Housing Units * Total	Lo/Mod	Jobs (office)
HOUSING - 59.3 ac.					
12/ac- High income Mix	$255,000	3,900	700	230	-
12/ac- Middle Income Mix	$165,000	3,900	700	470	-
12/ac- Low/Mod Income Mix	$140,000	3,900	700	700	-
8/ac- Hi Income Mix	$165,000	2,600	470	160	-
8/ac- Low/Mod Income Mix	$ 95,000	2,600	470	470	-
3.5/ac- Single Family Hi Income	$105,000	2,000	205	-	-
If substitute					
10 acre - 3 story Offices	+$40,000 to 55,000	+6,000	-80to120	-55to120	1350
5 ac - 3 story Offices 5 ac - typical Retail	+$85,000 to 70,000	+10,000	same as above		*450

* Number of housing units possible plus number of housing for low and moderate housing within that total.

3. Bohannon Industrial Park Area - 42.4 acres in scattered vacant parcels. Development of the remaining vacant parcels as warehouses, light manufacturing and research and development offices would all produce approximately the same amounts of tax revenues and traffic. The only exception would be if small firms could be attracted that manufacture high value products, subject to sales tax, which are sold at retail from the factory. Such firms are very rare. Two story office development could yield more than twice the tax revenues than warehousing and manufacturing uses.

Community acceptance. Any of the uses would conform to the general existing pattern of development and would not likely cause significant community concern. The potential impact of new traffic might require an additional access point and traffic signal on the Marsh Road extension. Traffic from the parcel on the west side of the Bayshore Highway could cause problems at the congested Marsh Road intersections near the Bayshore Highway.

TABLE XVI

Estimated Impacts of New Development in fill of Bohannon Industrial Park

Land Use	Estimated Tax Revenues	Traffic (Trip Ends)	Employment (Office)	Employment (Industry)
Warehouses	$76,000	6,500	-	1190
Light Manufacturing	76,000	6,500	-	1190
Research and Development	70,000	1,400	-	1020
Offices - 2 story	190,000	18,800	3940	-

Rebuilding Areas

In each rebuilding area two estimates were prepared for the two likely levels of rebuilding in each area. Estimates for tax losses from existing uses torn down assumed that the least intensive uses would be those chosen by the market and the city for clearance.

1. Haven Road. Rebuilding estimate 33% (16.7 acre) to 66% (33.0 acres). This area has the potential to add $500,000 or more to the Development District Program and nearly $100,000 to the city's revenues. The greatly enhanced contribution of property taxes in Development Areas makes two story buildings significantly stronger tax generators for the Development District than single story industrial uses -- even stronger than single story retail stores on the vacant 2.4 acre parcel near Marsh Road. Trip generation would range from 1300 - 3000 for industrial uses and 7,000 - 13,000 for offices. 3,000 trips would be added if a retail center were included.

   Community Acceptance. Rebuilding for warehouses, light manufacturing, or offices is not likely to raise significant community concerns, unless the rebuilding were to remove some key low intensity use which is important for effective functioning of the entire industrial area. Traffic from a new commercial center might cause some problems at the intersection of Haven Road with

Marsh Road.

TABLE XVII

Estimated Impacts of Rebuilding
Haven Road Area

Land Use	Estimated Tax Revenues 16.7 ac. (Lo)	Estimated Tax Revenues 33.0ac. (Hi)	Traffic (Trip Ends) Lo/Hi	Employment (Office) Lo/Hi	Employment (Industrial) Lo/Hi
Warehouse and Light Manufacturing	11,000 (98,000)*	22,000 (180,000)	1500/3000	-	470/940
Offices - 2 story	42,000 (280,000)	78,000 (525,000)	7000/13,000	1290/2580	-
If substitute retail center for offices on vacant parcel		+18,000 (-20,000)	+3,000	-215	

* Figures in parenthesis are revenues for Development District

2. Willow Road frontage in Belle Haven Area. Rebuilding estimate 33% (2.6 acres) to 66% (5.3 acres). The narrow depth of frontage in this area appears to rule out building large scale retail development which could generate major revenues. Modest scale rebuilding is assumed which would primarily serve the needs of the residential and industrial community. Vacant or underused parcels were assumed to be rebuilding sites - thereby keeping tax losses from existing stores at a minimum.

Community Acceptance. The rebuilding sites would be part of the Development Plan to be prepared for the Belle Haven area. There are a number of sites along the frontage which might be suitable for new retail stores. Sites to be cleared should be carefully chosen to make sure that adequate new housing would be provided and local merchants providing important retail services to the community were protected. Conflict could arise if land needed for rebuilding to attract strongly competitive stores involved relocating established merchants. The uses chosen should be designed primarily to fit the Development Plan rather than for their revenue potential.

TABLE XVIII

Estimated Impacts of Rebuilding
Willow Road Frontage in Belle Haven

Land Use	Estimated Tax Revenues 2.6ac (lo)/	5.3ac (hi)	Traffic (Trip Ends) (lo) / (hi)
Convenience Retail	17,000 (15,000)*	28,000 (24,000)	3500 / 7000
Typical Retail	35,000 (15,000)	80,000 (24,000)	600 / 1200

* Figures in parenthesis are revenues for Development District

3. Willow Road frontage from Bayshore Highway to Middlefield Road Rebuilding estimates 10% (1.2 acres) to 25% (2.8 acres). Rebuilding at selective locations along this frontage for two story offices would generate somewhat more revenue than retail stores or housing. Almost all the rebuilding is assumed to be on scattered vacant or underused sites. As in the case of the Belle Haven area, the narrow depth of frontage precludes major commercial or office development and traffic congestion would be aggravated by a major concentration of trip generators. Therefore, the rebuilding scale is assumed to be small and revenues produced by rebuilding would not make a large contribution to Development District financing.

Community acceptance. Any development along Willow Road in this area is likely to be controversial in light of the City's long term concern over a possible Willow Road connection to the Stanford Shopping Center and Sand Hill Road. No large variation is apparent in the revenue generating potential. Housing uses along the frontage should be considered if they can blend with neighborhood needs. Additions to traffic are not very high for any of the uses.

TABLE XIX

Estimated Impacts of Rebuilding
Willow Road Frontage - Bayshore to Middlefield Road

Land Use	Estimated Tax Revenues 1.2 ac (lo)	2.8 ac(hi)	Traffic (Trip Ends) lo/hi	Housing[1] Tot lo/hi	Lo/mod lo/hi	Office Employment lo/hi
Office - 2 story	3,000 (20,000)[2]	5,000 (36,000)	500/200	-	-	110-250
Convenience Retail	19,000 (10,000)	22,000 (17,000)	2000/4000	-	-	-
Typical Retail	22,000 (10,000)	33,000 (17,000)	800/800	-	-	-
Housing 12 ac. Mod. income mix	1,000 (20,000)	3,000 (36,000)	100/-800	15/35	5/10	-

1 Estimate of low to high total of housing possible plus low and estimate within that total for low and moderate income housing.

2 Figures in parenthesis are revenues for Development District.

4. Central Area (approximately El Camino Real to University, Valapariso Avenue to Middle Avenue) 30% rebuilding estimates (30.1 acres) to 50% (52.4 acres). Rebuilding in key parts of Central Area -- El Camino Real frontage and areas adjacent to downtown -- could add nearly $1,000,000 per year in tax revenues if a policy to maximize retail development were followed. If offices were emphasized, approximately 1500 new jobs might be added with a revenue increase of $500,000. A policy emphasizing retail development along El Camino Real and housing adjacent to downtown could add 150 housing units and $850,000 to tax revenues. A high revenue generating strategy would stress hotels, new auto dealers and new retail stores along the El Camino Real frontage, and a combination of housing and small retail stores in the adjacent area. The retail composition would be enriched by smaller scale shops to complement larger stores along the Santa Cruz Avenue spine. Nearby housing residents could provide an added built-in market for the retail stores.

TABLE XX

Estimated Impacts of Rebuilding
Central Area

Land Use	Estimated Tax Revenues		Traffic (Trip Ends) (lo)/(hi)	Housing Total lo/hi	Lo/Mod Income (lo)/(hi)	Office Employment (lo)/(hi)
1. Northern part of east El Camino Real frontage	33%	50%				
	5.6 ac(lo)/8.5 ac(hi)					
Hotels (5 ac.) w/ Auto dealers (3.5 ac.)	$280,000	$330,000	-1500/-1000	-	-	-
Typical Retail	40,000	65,000	-	-	-	-
Offices - 2 story	30,000	45,000	3400-5000	-	-	1510/2300
2. West El Camino frontage	33%	50%				
	4.5 ac(lo)/5.9 ac(hi)					
Typical Retail w/offices above (on-site parking)	40,000	50,000	1900/2200	-	-	1210/1590
Typical Retail w/offices above (off-site parking)	270,000	350,000	17000/15000	-	-	3630/4770
3. Adjacent areas	25%	50%				
	19.0 ac (lo)/38 ac. (hi)					
a. Housing(67%) + Typical retail (33%)						
12/ac-hi income mix	139,000	270,000	4500/8500	40/20	-25/-70	-
12/ac-lo income mix	114,000	192,000	4500/8500	40/20	80/135	
8/ac-hi income mix	120,000	232,000	4200/8800	-10/-80	-10/-35	
8/ac-lo income mix	104,000	171,000	4200/8800	-10/-80	25/35	-
b. Housing (67%) + Convenience Retail (33%)						
12/ac-Hi income mix	124,000/191,000		11000/22000	40/20	-25/-70	-
8 ac-Lo income mix	80,000/153,000		11000/21000	-10/-80	25/35	-
c. Housing (67%) + Offices - 2 story (33%)						
12/ac-Hi income mix	68,000/99,000		1600/2900	40/20	25/-70	280/560
8/ac-lo income mix	34,000/30,000		1300/2400	-10/-80	25/35	280/560
d. All Housing						
12/ac-Hi income mix	67,000/126,000		600/900	115/170	-/-20	-
12/ac-lo income mix	30,000/ 54,000		600/900	115/170	150/285	-
8/ac-Hi income mix	38,000/ 69,000		200/100	40/20	-30/-70	-
8/ac-lo income mix	15,000/ 23,000		200/100	40/20	75/135	-
TOTAL (range) High	689,000/950,000		15000/22500	115/170	150/285	5420/7630
Low	47,000/ 60,000		2100/2300	-10/-80	-30/-70	- / -

Community Acceptance. The Central Area is a major retail center and more. It is a focus and a source of identity for all of Menlo Park. Decisions regarding rebuilding will affect not only the chemistry and strength of the retail mix but the sense of direction and priorities for the City as a whole. Many issues which transcend solely fiscal considerations will need to be resolved.

Who should the Central Area development serve? The merchants? The landowners? Nearby residents? The City as a whole? From a fiscal point of view, the Central Area is the most important tax generating "engine" in the City but all interests must be taken into account.

What kinds of stores are needed to maintain a strong competitive position with competing shopping centers? Are those stores the same ones that will generate the most tax revenue? Will they best serve resident's needs? More housing close to downtown is generally viewed as a key for a stable downtown area but this might induce more convenience commercial stores than "big ticket" comparison stores which can compete with shopping centers. Small scale convenience stores which could tap retail sales from residents and office employees usually don't generate as high tax revenues as the comparison stores.

The analysis projects a possible doubling of the 400,000 square feet of downtown retail space. Is there a market for that many additional stores? If so, of what type?

Higher income residents might be more inclined to support higher quality merchandize but these persons already have many housing choices in the current market. Housing for retired persons near downtown shops and activities appears to be a good choice since they would be closer to stores and activities are more likely to shop close at hand. However, their preferences in merchandize may not coincide with that favored by merchants who want to compete with Stanford Shopping Center. Housing for low and moderate income persons is a very serious need if Menlo Park is to maintain a housing balance but again, would they be looking for the same goods as those offered by merchants?

Any rebuilding would require relocation of some existing businesses along El Camino Real and of existing housing in the adjacent areas. This change would have to be carefully managed to ensure fairness and that the City's overall objectives are met. Rebuilding should be structured so that existing merchants and residents have the first opportunity to occupy new spaces if they chose. Realistically, some of the lower intensity commercial stores may be forced out of the area and the

City needs to be careful that rebuilding doesn't force out high retail tax producers if the fiscal objectives are to be met. In fact, the high density of existing retail stores along the western El Camino Real frontage may mean that little additional new tax revenues could result from rebuilding.

Rebuilding adjacent to downtown can add somewhat to the total housing stock and help provide a nearby source of customers for stores. However, virtually all the adjacent area is already built up with older single family dwellings heavily mixed with apartments. Loss of these units can substantially cut into the net increase in housing units which can be achieved. Replacement of lower income units with higher income units could actually reduce the total number of lower income units available near downtown. These issues are particularly important if the rebuilding replaced existing apartments in the 8 to 12 unit per acre density range. The analysis suggest that rebuilding, even for mixed housing and retail use, could be a strong tax generator but would not necessarily add large numbers to the total housing stock near downtown.

Maximizing retail uses could add 20,000 additional trips to the present downtown congestion. (Possible actions to relieve some of the congestion are outlined in Chapter Nine.) If offices were emphasized approxi-

mately 7,000 more trips would be added. Additions to the housing supply would add up to 1,000 trips daily. Housing generated trips would be relatively minor in comparison to retail generated trips but could aggravate current problems on a number of side streets.

Finally, there is the parking problem. Mixed use combining housing and offices or stores with their own on-site parking could help relieve some of the long term parking load. Shopper parking can be relieved by requiring strict adherence to adequate parking for new offices. A joint parking district might be set up for some of the new areas but a careful program would be required to make it work. Additional clearance of existing housing might be required to assemble enough land to take advantage of central parking to serve new projects.

An explicit retail development strategy and implementing program will be vital to the successful growth of downtown retailing. Unlike its shopping center competition, Menlo Park does not have large sites downtown which could accommodate large retail comparison shopping such as department stores, clothing or furniture stores. The City's current retail strength is due to wide but complementary mixture of smaller scale stores and speciality shops providing a high level of personalized service. This strategy provides an explicit

alternative to the large scale shopping centers. However, it is harder to sustain without the draw of a Macy's or Bullocks. A careful mix of speciality stores must be maintained which can serve both Menlo Park shopper's needs and also provide a unique image and atmosphere of shopping choices that will attract shoppers from a larger area. In this sense downtown Menlo Park may be in direct competition for this alternative market with downtown Palo Alto.

The Menlo Park Central Area has the potential to provide nearly a million dollars of added tax revenue. The City should recognize its stake in the vitality of the special mix of stores and work closely with downtown merchant groups to build a strong marketing program for the Central Area. The program should enhance the special small town scale buildings, improved city services, and possibly tying city celebrations with downtown promotional events.

Summary of Recommendations

A. General Land Use Development

1. The City should aggressively seek additional hotel development at sites which are compatible with surrounding land uses and traffic.

2. The City should aggressively seek high tax revenue producing retail uses in the downtown area, coordinated

with traffic mitigation programs. Auto dealers, liquor stores, appliance stores and drug stores are among the highest tax revenues generating retail uses. Gift shops, personal services and grocery stores are among the lowest tax producing retail uses.

3. Retail development in other parts of the City should be viewed as essentially services to residents rather than major tax producers.

4. Offices at the intensity of one to three stories should not be viewed as strong tax revenue sources -- except in Development Areas. Offices built in the Central Area should incorporate retail uses into the design wherever feasible. Offices are, however important sources of vertical mobility jobs for residents.

5. Development of scattered vacant parcels in industrial areas are not likely to become an important source of new revenue for the City. Neither will conversion from warehouse to light manufacturing, research and development or offices likely make an important tax revenue impact outside Development Areas.

B. Specific Sites

1. Sand Hill Road - 280. The City should aggressively work with Stanford University to secure development of the site for a conference center - possibly combined with housing.